Banca Popolare di Cividale
Gruppo Banca Popolare di Cividale

Reports and Financial Statements at 31 December 2013

BANCA POPOLARE DI CIVIDALE
A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo 8/1
33043 Cividale del Friuli

Bank of Italy Register No. 5758.8.0; Italian Banking Association Code 05484
Registration in the Banking Groups Register No. 05484.1
Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306
Share capital at 31 December 2013: €51,067,947, fully paid-in
A member of the Interbank Deposit Protection Fund

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

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

1. We have audited the financial statements of Banca Popolare di Cividale S.c.p.A. as of and for the year ended December 31, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Popolare di Cividale S.c.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 9, 2013.

3. In our opinion, the financial statements of Banca Popolare di Cividale S.c.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Popolare di Cividale S.c.p.A. for the year then ended.

Reconta Ernst & Young S.p.A.
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4. The management of Banca Popolare di Cividale S.c.p.A. is responsible for the preparation of the Directors' Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report on operations and the specific section on Corporate Governance, regarding the information included therein in compliance with art. 123-bis paragraph 2, letter b) of Legislative Decree n. 58/1998, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In our opinion the Directors' Report on operations and the information reported therein in compliance with article 123-bis paragraph 2, letter b) of the Legislative Decree n. 58/1998 in the specific section of the report are consistent with the financial statements of Banca Popolare di Cividale S.c.p.A. as of December 31, 2013.

Milan, April 9, 2014

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

Boards and senior management of Banca Popolare di Cividale at the date of approval of the consolidated financial statements for the year ended 31/12/2013

Board of Directors	
Chairman	Lorenzo Pelizzo
Deputy Chairmen	Carlo Devetak Adriano Luci
Directors	Francesca Bozzi Anna Cracco Michela Del Piero Luciano Locatelli Sergio Tamburlini Graziano Tilatti
Board of Statutory Auditors	
Chairman	Giancarlo Del Zotto
Standing Members	Mauro De Marco Carlo del Torre
Alternates	Paola Rodighiero Maria Eugenia Cola
Board of Arbitrators	
Standing Members	Mario Cicuttini Aldo Del Negro Ugo Gangheri Giampaolo Piccoli Eugenio Scarbolo
Alternates	Alessandro Rizza Giuseppe Bertolo
Senior management	
General Manager	Mario Leonardi
Assistant General Managers	Federico Fabbro Gianluca Picotti
Manager responsible for preparing financial reports	Gabriele Rosin
Independent auditors	*Reconta Ernst & Young S.p.A.*

Notice to convene an ordinary meeting of the shareholders

The Bank's shareholders are hereby notified of the ordinary meeting of the shareholders to be held at the Centro San Francesco in Cividale (Piazza San Francesco), with first call at 9:00 AM on 24 April 2014 and second call, if necessary, at 9:30 AM on 25 April 2014.

Agenda

1. Financial statements for the year ended 31.12.2013 and any related business;
2. Proposal to set the share premium pursuant to Article 2528 of the Italian Civil Code;
3. Proposal by the Board of Statutory Auditors pursuant to Art. 13 of Legislative Decree No. 39/2010 to supplement the compensation for legal auditing service;
4. Group compensation policies; and
5. Appointment of corporate officers and determination of their compensation.

We would also like to remind you that, pursuant to the law, only those shareholders presenting certification of ownership of their shares, issued at branches of Banca Popolare di Cividale S.c.p.A. or by another intermediary, are eligible to attend meetings of shareholders.

In accordance with the current Bylaws for the meetings of Banca Popolare di Cividale S.c.p.A., shareholders may obtain a copy of those Bylaws free of charge.

Cividale, 28 March 2014

The Chairman
Lorenzo Pelizzo

Letter from the Chairman

Shareholders,

The economic situation in Italy continued to deteriorate in 2013, and north-eastern Italy, our Bank's area of operation, also failed to show signs of the eagerly awaited recovery. To cite one example, household consumer spending in Friuli Venezia Giulia, which in 2012 had already declined by 2.9%, remained in negative territory, marking a further decrease of 2.2%.

The negative effects of the serious economic situation are weighing heavily on the job market in our region as well, where the number of the employed fell below 500,000 (499,000 compared to 511,000 in 2012) and those seeking work increased to 40,000, up by 7,000 compared to the previous year. In Italy, the unemployment rate reached 14% and was above 40% for young people: we are faced with a dangerous social emergency. Moreover, if we assign a value of 100 to the industrial production level before the crisis, in 2013 production came to 76.5 in the province of Udine, where our institution's activity is most densely concentrated. In terms of GDP, it is as if Veneto had travelled back in time 13 years, taking the region back to the levels last seen in 2000.

However, there are also some encouraging figures regarding exports that show how our SMEs remain vital even in times of crisis. North-eastern Italy continues to play a leading role on global markets. North-eastern Italy's exports now account for 18% of the Italian total. According to a study by Fondazione Nordest, this area's exports increased by 2.3% in 2013, whereas Italy stagnated at -0.1%. Yet if we break this figure down by region, we may observe that Trentino Alto Adige achieved an increase in exports of +3.08% and Veneto of +2.79%, while Friuli Venezia Giulia paid the price for its ongoing company crises with a decrease of -0.55%. Essentially, the stagnation of Italy's economy overall, regardless of the many positive entrepreneurial experiences, remains a bitter reality. In 2013, according to chamber of commerce figures, Friuli Venezia Giulia lost 1,500 businesses compared to one year prior; north-eastern Italy lost 11,000, and Italy as a whole 111,000.

Similarly, another significant indicator of the overall stagnation of Italy's economy is provided by the bank-business relationship, which has shown a decline in loans to companies and a rise in the annual rate of reclassification of bank loans as bad debts. The bad debts of Italian banks have been estimated at 18.3% in 2013. Overall, the financial system bears €155.8 billion of bad debts. According to Prometeia, this figure is destined to increase by another €50 billion by 2016.

Italy's main banks closed their 2013 financial statements with record losses and have announced branch closures and redundancies for thousands of employees. Several banks in our region also reported significant losses for the first time.

Eight of Italy's largest banks have taken corrective measures, launching capital increases of a total of €8 billion. Following the inspections conducted by the supervisory authority in 2013, as many as 14 institutions were placed in receivership or asked to find a partner.

In short, Italian banks sustained heavy losses in 2013 and are looking towards the prospect of a recovery in 2014 with caution. From the beginning of the financial crisis, marked by the collapse of Lehman Brothers in September 2008, to September 2013, Italy's seven largest banks closed 4,591 branches, 16.5% of the total. The disruptive effect of the crisis required all institutions to revise their fixed costs thoroughly and simplify their organisational structures. This revolution was also favoured by the increase in online transactions enabled by the increasingly widespread use of home banking. The impact of the crisis on banks also had grave consequences for Friuli Venezia Giulia. The Italian Banking Association's regional committee assesses non-performing positions at €4 billion, and in September 2013 bad debts came to nearly €2.3 billion, up by 20% compared to 2012, with approximately €400 million new positions reclassified as bad debts.

In this worrisome scenario, cooperative banks have distinguished themselves overall, while sharing in the effects of the negative situation. The emphasis on acting as local banks, with a natural vocation for maintaining close relationships with local businesses, even during difficult times, translated into an increase in market share of loans to SMEs, which came to 26% in 2013. Cooperative banks such as our own continued to support their local economies throughout the crisis years, while suffering an increase in credit risk, which rose from 3% in 2008 to 10% in 2013, a level that was nonetheless more than 2% below the national average. Over the past three years, loans to ordinary customers by cooperative banks increased by 5.6%, compared to 1.1% for other intermediaries. In June 2013, non-performing loans accounted for 6.7% of the total for cooperative banks, compared to 7.8% for the rest of the banking industry. From the standpoint of deposits, during the crisis period, 2008-2013, cooperative banks recorded an increase of 19%, more than six percentage points above the national average, bearing witness to the validity of the customer relationship model adopted by cooperative banks, which throughout Italy have approximately 1,320,000 shareholders, nearly 83,000 employees and over 9,200 branches. Over the past six years, given the persistence of the crisis, these banks contributed to sustaining cultural and social growth in their local communities, to which they devoted 5% to 8% of their earnings (€130 million in contributions in 2013 alone).

As evidence of the segment's counter-cyclical nature, cooperative banks have proven a key resource for local economies, and the recurring attempts to modify their original characteristics would result in grave damage to the economic and social fabric, as we are well aware in our region, which at one time boasted as many as nine cooperative institutions.

Shareholders,

Closely integrated into the cooperative banking system, our Bank continued to distinguish itself in the previous year through strong ties to the local community and its most dynamic members. Although the main line items (direct funding, indirect funding and loans) presented slight, understandable declines, given the situation, the Bank's solidity is indisputable and the consolidation of its market positions is a fact. This appears an even more commendable achievement when it is considered that 2013 was one of the most complex years in our Bank's history, due to the effects of the various critical aspects of the persistent crisis from our local economy has been suffering since 2008. Net operating income reached €88.2 million, up by 58.7% compared to 2012. This was a wholly respectable performance, undermined only by the significant accruals to provisions to account for non-performing loans of €118.9 million, compared to €41.3 million in 2012. As stated in the letter giving notice of the shareholders' meeting, this comparison of loan loss provisions clearly indicates the cause of the loss for the year. Loan management was nonetheless guided by principles of prudence. Bad debts, which came to €158.9 million in net terms, account for 5.1% of the Bank's total portfolio, and the coverage ratio, following the accruals recognised, was nearly 60% (in addition to mortgage collateral), amongst the highest levels in the Italian banking industry. These factors provide reassurance for the future and are indicative of the prudent management approach adopted by the Board of Directors, aimed at ensuring that the Bank may return to its customary levels of profitability in 2014.

We remain one of the most important and vital institutions in Friuli Venezia Giulia. We have played our role of local community bank, staying at the side of local businesses and families even during these difficult times. For their part, investors have not lost their faith in us: simply consider the cooperative's 1,540 new shareholders, the 2,100 new accounts opened in 2013 and the increase in deposits from the retail channel only of over €113 million, the true sign of confidence in our bank.

The extensive participation of nearly 4,000 attendees at the recent inauguration of our new headquarters was further evidence of our bank's strong ties with the community.

Shareholders,

From a strategic standpoint, it is important to mention the successful completion of the extraordinary transactions undertaken at year-end, which resulted in the merger of the subsidiaries, Banca di Cividale and Nordest Banca, into Banca Popolare di Cividale, as well as the repurchase of the entire equity interest in Banca di Cividale from Creval for a total of €73.7 million. This latter transaction did not have any consequences for our collaboration with Credito Valtellinese, which along with Istituto Centrale fra le Banche Popolari is a valuable, reliable partner with which we intend to continue to pursue the process on which we have embarked, with each playing its own distinctive role. Another strategically valid equity holding is our interest in Itas S.p.A. (25%), a storied insurance company based in Trento with which we have begun to offer bancassurance services.

The branch network underwent further expansion in the form of the opening of a branch on Via Crispi in Udine, in an office that formerly hosted Acileasing. At the end of 2013 there were 74 operational branches (75 in early 2014), spread across seven provinces of Italy.

Our firm's social responsibility has taken the form of a renewed commitment to our communities. During the previous year, we devoted €1.1 million to social, cultural and educational projects, fulfilling the requests of over 500 local organisations. Over the past six years, those of the severe crisis (2008-2013), our Bank distributed as much as €7 million to social initiatives, a commitment that sets us apart as a local bank and genuine cooperative institution. This specific aspect of our banking group's activity will be described in detail in the 2013 Corporate Social Responsibility Report soon to be drafted and available from our new

website.
Finally, in its seven years of operation, our leasing company, Civileasing, has reported an increase in outstanding loans from €80 million to €333 million, a result essentially in line with that of 2012. Operating revenues climbed to €5.4 million, up by 14.8% compared to the previous year. Civileasing also recognised prudential accruals to provisions of €5.8 million, compared to €2.7 million in the previous year, resulting in a loss of €1.6 million. In the first two months of 2014, Civileasing also returned to profitable territory, in line with forecasts for the year. The subsidiary's main lines of business are car leasing and capital equipment leasing for SMEs.

The 2014-2016 Strategic Plan was also drawn up, rounding out the prudential budget policy implemented by the Group in 2013, as well as the corporate reorganisation resulting from the merger.
This new Plan, prepared with the consulting firm KPMG and already approved by the Board of Directors, emphasises our institution's strong potential, reaffirming the special vocation pursued by Banca Popolare di Cividale within the context of the particular economic, social and institutional characteristics of our local communities.

Shareholders,
Please allow me a brief digression of a personal nature, considering that this shareholders' meeting marks my departure from the position of director and chairman after many years – some say too many – of dedication to the growth of this Bank. I have decided that the time has come to pass to others the torch that I have borne until now with a sense of responsibility and an absolute conviction in the particular nature of the charge entrusted to me by the shareholders and board of directors over the years. One cycle now comes to an end as another begins. It is my sincerest hope that those who come after me will succeed in keeping this institution on its path of independence and cooperative ownership, with the necessary adaptations required by the times.
I should thank the many people who shared with me the responsibility of leading our Bank to its current stage of development, starting with the directors who have already left us, as well as those now in office, the general managers and executives who have truly wished the best for the Bank, along with all of the employees who have acted as the engine driving its growth. Without this wealth of sound, dedicated resources, we would not have achieved the results that we have. Yet my deepest, most heartfelt thanks go to you, our shareholders, who over the decades have supported the strategy implemented by the Board of Directors under my leadership, which support allowed us to usher in the Bank's 127th year of operation in conditions of sound health and independence. Naturally, I cannot but stigmatise the behaviour of those few who opposed this course of action, jeopardising the Bank's independence in pursuit of partisan interests in contrast with the cooperative spirit that sets our Bank apart.
The recent inauguration of the new headquarters and the great affluence that distinguished the occasion once more showed how precious and useful this financial institution is in the eyes of the local community. The speeches given by exponents of authorities bore out this view. The images of financial institutions have suffered greatly in these years of crisis, yet our Bank has once more received strong statements of goodwill and sincere affection expressed by many, on a level that is without equal, at least in our region. I leave behind this heritage of esteem, trust and affection that has been built over the years thanks to the collective commitment of those who, along with me, have believed strongly in the irreplaceable role of this Bank and resisted easy praise. If mention is still made of Cividale both in and beyond our region, it is due not only to its long history dating back to the times of the Romans or Lombards, its monuments or UNESCO recognition, but also to this Bank, which bears the name of this city and embodies the sincere, genuine values of the people of Friuli.

Group financial highlights and balance sheet ratios

BALANCE SHEET DATA	31/12/2013	31/12/2012	Var %
Loans to customers	3.113.834	3.182.832	-2,2%
Financial assets and liabilities	1.580.092	1.503.682	5,1%
Investments in associates and companies subject to joint	7.529	8.635	-12,8%
Total assets	5.097.258	5.286.569	-3,6%
Direct funding	3.698.696	3.787.931	-2,4%
Indirect funding	874.087	926.512	-5,7%
- of w ich: Assets under management	544.303	547.396	-0,6%
Total funding	4.572.783	4.714.443	-3,0%
Shareholders' equity	261.309	339.606	-23,1%

* The 2012 figure has been normalised following the merger.

Reclassified consolidated balance sheet

ASSETS	31/12/2013	31/12/2012	Var %
Cash and cash equivalents	20.021	25.501	-21,5%
Financial assets held for trading	3.512	11.198	-68,6%
Financial assets available for sale	1.472.132	1.393.365	5,7%
Invetments held to maturity	105.413	104.107	1,3%
Due from banks	163.750	383.227	-57,3%
Loans to customers	3.113.834	3.182.832	-2,2%
Investments in associates and companies subject to joint	7.529	8.635	-12,8%
Property, plant and equipment and intangible assets (1)	106.377	96.507	10,2%
Other assets (2)	104.690	81.197	28,9%
Total assets	**5.097.258**	**5.286.569**	**-3,6%**
LIABILITIES	**31/12/2013**	**31/12/2012**	**Var %**
Due to banks	1.010.863	970.236	4,2%
Direct funding from customers (1)	3.698.696	3.787.932	-2,4%
Financial liabilities held for trading	965	2.073	-53,5%
Hedging derivatives	-	2.915	-100,0%
Other liabilities	116.332	119.212	-2,4%
Specific provisions (2)	9.094	6.936	31,1%
Shareholders' equity pertaining to minority interests	-	57.659	-100,0%
Shareholders' equity (3)	261.309	339.606	-23,1%
Total liabilities	**5.097.258**	**5.286.569**	**-3,6%**

INCOME STATEMENT DATA	31/12/2013	31/12/2012	Var %
Net interest income (including result of hedging)	82.406	85.809	-4,0%
Net commissions	22.287	23.523	-5,3%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.278	1.912	-33,1%
Net trading income	423	3.332	-87,3%
Gains (losses) from purchase/sale of loans and financial assets	50.633	8.878	470,3%
Other operating income (expenses) (4)	736	2.770	-73,4%
Operating income	**157.762**	**126.224**	**25,0%**
Personnel expenses	(41.308)	(40.727)	1,4%
Other administrative expenses (2)	(26.843)	(27.727)	-3,2%
Net impairment/w rite backs on property, plant and equipment and intangible assets (3)	(1.374)	(1.587)	-13,4%
Operating cost	**(69.525)**	**(70.041)**	**-0,7%**
Income (loss) from operating	**88.237**	**56.183**	**57,1%**
Charges/w rite-backs on impairment of loans and other assets	(128.150)	(41.332)	210,0%
Goodw ill impairment	(1.051)	-	100,0%
Net provisions for risks and charges	(2.410)	(858)	180,9%
Profit (loss) on equity investments	-	356	100,0%
Income (loss) before tax from continuing operations	**(43.375)**	**14.348**	**-402,3%**
Tax on income from continuing operations	7.581	(8.021)	-194,5%
Income (loss) after tax from continuing operations	**(35.793)**	**6.327**	**-665,7%**
Minority interest	-	3.226	-100,0%
Net income for the period attributable to the parent company	**(35.793)**	**9.553**	**-474,7%**

BALANCE SHEET RATIOS	31/12/2013	31/12/2012
Indirect funding from customers / Total funding	19,11%	19,65%
Assets under management / Indirect funding from customers	62,27%	59,08%
Direct funding from customers / Total liabilities	72,56%	71,65%
Loans to customers / Direct funding from customers	84,19%	84,03%
Loans to customers / Total assets	61,09%	60,21%

CREDIT RISK INDICATORS (thousands of euros)	31/12/2013	31/12/2012
Net non-performing loans	158.856	122.028
Other net impaired loans	203.443	236.654
Net non-performing loans / Loans to customers	5,1%	3,8%
Other net impaired loans / Loans to customers	6,5%	7,4%
Total net impaired loans / Loans to customers	11,6%	11,3%
Non performing loans hedging	58,1%	54,3%
Other impaired loans hedging	26,2%	12,7%
Cost of credit	3,8%	1,3%

	31/12/2013	31/12/2012
Share value	24,50	24,50
N°of shares	17.022.649	16.927.763
Shareholders' equity	261.309	339.606
P/BV	**1,60**	**1,22**

Operating structure	31/12/2013	31/12/2012
N°of employees	593	595
Branches	75	73

Basic Earning per share	31/12/2013	31/12/2012
Adjusted attributable profit	(35.793)	9.553
Weighted average number of shares	16.634.078	16.634.078
Basic Earning per share	**(2,152)**	**0,574**

OTHER ECONOMIC INFORMATION	31/12/2013	31/12/2012
Operating cost / Operating income (cost income ratio)	44,1%	55,5%

SOLVENCY RATIOS	31/12/2013	31/12/2012
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	8,37%	11,11%
Total capital / Risk weighted assets (Total capital ratio)	10,31%	13,04%

Directors’ report on operations of the Bank and Group

Introduction

The primary statutes governing the preparation of the directors’ report on operations are Art. 2428 of the Italian Civil Code, Art. 3 of Legislative Decree No. 87/1992 concerning the separate and consolidated accounts of banks, both as recently amended by Legislative Decree No. 32 of 2 February 2007, and Bank of Italy Circular No. 262 of 22 December 2005, as amended, *Presentation Schemes and Rules for Compiling Separate and Consolidated Bank Financial Statements*.
Pursuant to Art. 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, the separate and consolidated report on operations may be presented as a single document, in which greater emphasis is placed, as appropriate, on matters relevant to the companies included within the scope of consolidation as a whole. Accordingly, this report has been drafted in accordance with the above Art. 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, consolidating the analysis of the Group’s and Parent Company’s performances into a single document.

The macroeconomic scenario[1]

Economic scenario

The moderate increase in global economic activity and international trade that began in 2012 continued in the reporting year. Signs of reinforcement were seen in the United States, driven by lesser uncertainty surrounding budget policies, whereas the recovery in the Euro Area was more modest. Growth continues in emerging economies, weighed down by the downside risks associated with less expansionary global financial conditions.
The prospects of a recovery, accommodating monetary policy, progress in the governance of the Euro Area and the stabilisation of the internal situation in Italy contributed to the improvement of conditions on European and Italian financial markets. In November, the European Central Bank reduced its official rates by 25 basis points, reiterating that, if necessary, it will use all of the tools at its disposal to maintain an accommodating monetary policy stance.
In the third quarter of 2013, Italian GDP stopped declining, and on the basis of surveys and industrial production performance, the fourth quarter is expected to close with positive growth. However, within this scenario there is a great deal of variability by business segment and geographical location: the improved outlook for larger industrial companies and businesses with a greater focus on foreign markets is juxtaposed with a situation that remains unfavourable for smaller companies, service providers and businesses based in southern Italy.
The weakness of domestic demand contained prices to a greater extent than in the past; the increase in VAT in October was only reflected in end prices to a minimal extent, favouring a decline in inflation that was greater than forecast several months ago (0.7% in December).
Within this scenario, credit conditions remain tense. On the one hand, demand for investments remains low, while on the other supply shows a strong aversion to risk and the consequences of this attitude on bank financial statements.

The international economy

The most recent figures indicate that global trade strengthened in the third quarter of 2013 and even accelerated in the fourth.
Inflation remained at very low levels in advanced nations. In November, the consumer price index increased by 1.2% on the corresponding period in the United States and by 2.1% in the United Kingdom. In Japan, the change in the general price index, which returned to positive territory last summer, reached 1.6%. In emerging nations, consumer price inflation remains high in India, Brazil and Russia.
During the year, the FOMC stated that its target official interest rate range will probably be held at the current levels (forward guidance) for quite some time after the unemployment rate falls below 6.5%, especially if inflation projections continue to fall short of the long-term objective of 2%. According to the most recent OECD estimates, global growth, after falling to 2.7% in 2013, is predicted to recover to 3.6% in the current year. Global trade is expected to accelerate to 4.8%, which is still slow from a historical perspective. During

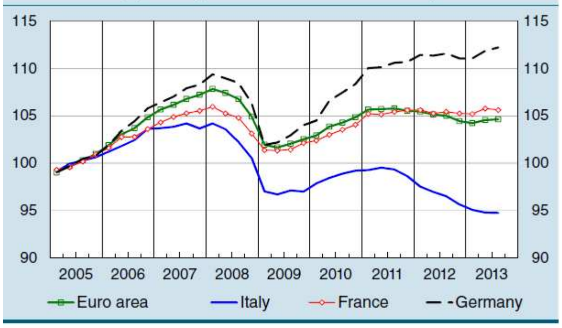
[1] Source: The Bank of Italy’s *Bolletino Economico*.

the period 2002-2007, trade flows increased by an annual average of 9.5%, while global GDP increased by 4.5% per year.
The future course of the global economy remains subject to risks, primarily downside risks. Although the Federal Reserve's decision to apply a moderate reduction of the rate of securities purchases did not generate an increase in volatility on financial and foreign exchange markets, there is a risk that a reduction of monetary stimulus at a greater than expected rate may lead to an exacerbation of global monetary and financial conditions. Furthermore, despite the political agreement in the United States on the budget for fiscal year 2014-2015 reached in mid-October, there remain risks associated with the constraints on public debt levels (the debt ceiling), which after being suspended in October are set to enter into force once more in February of this year.

The Euro Area

In the third quarter, GDP in the Euro Area increased slightly, by 0.1% compared to the second quarter, favoured in particular by inventory accumulation and imports. In **Germany**, GDP increased by 0.3%, driven by investments in construction. In **France**, there was a decline of 0.1% owing to the decrease in foreign demand and the drop in investments. In **Italy**, GDP put an end to the prolonged recession by remaining unchanged (fig. 1).
The economic recovery is believed to have continued in the fourth quarter, while remaining at moderate levels.
Inflation reached a low for the past four years. In November, the **ECB**'s Executive Board **reduced the rate** for primary refinancing operations, reiterating its decision to keep official rates at or below the current levels. In the coming months, the ECB expects that inflation in the Eurozone will remain at current levels and the recovery will be slow, with generally downside risks for growth.
Household demand remains weak. Retail sales in the area remained stagnant in October and November. According to research coordinated by the European Commission, in December consumer confidence in the area increased, extending the improvement that began in late 2012.
Inflation fell in the autumn, reaching extremely low levels. In December it decreased further (0.8% over the twelve months). The weak price performance was driven by both the more volatile and fundamental components (non-food products, non-energy products and services): the growth of this latter category came to an historical low (0.7%).

GDP of the euro area and the main area countries (1)
(quarterly data; indices, 2005=100)



Sources: Based on national statistics.

The Italian economy

In the third quarter of 2013, Italian GDP, which had been contracting since summer 2011, finally stopped declining. In addition, there were signs of a resumption of growth at a moderate pace in the fourth quarter of the year, buoyed primarily by foreign demand. In all probability, economic indicators point to a modest increase in GDP during the period. The persistent weakness of domestic demand, affected by the fragility of the job market and the weak performance of disposable income, is juxtaposed with the more positive industrial scenario. In December, business confidence increased further, albeit to a modest degree. The purchasing manager index (PMI) for the manufacturing sector also climbed, remaining above the threshold compatible with growth for the sixth consecutive month.

The qualitative indicators drawn from surveys of businesses are consistent with a further expansion of production in the coming months. In November, **industrial production** increased by 0.3% compared to the previous month, continuing on the moderate uptrend that began in September.

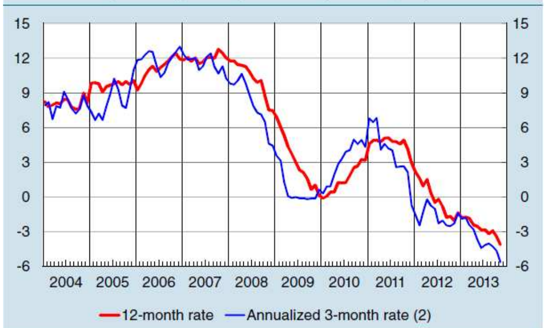
Manufacturing activity was primarily driven by capital goods, intermediate goods and energy, juxtaposed with a decline in consumer goods. According to our estimates, on the whole in the fourth quarter of the year industrial activity is believed to have increased by approximately one percentage point for the first time in more than two years.
In October, the competitiveness of Italian companies, measured on the basis of production prices for manufactured goods, worsened slightly. However, competitiveness conditions remain more favourable than those prevailing in 2009.

According to estimates based on national accounts, in the third quarter the operating **profitability** of businesses – calculated as the ratio of value added to gross operating margin during the twelve months to September 2013 – increased slightly, while remaining at very modest levels. The further decline in fixed investments and the increase in self-financing resulted in a decrease in financing needs with respect to value added. The weight of financial expenses remained essentially unchanged.
In the third quarter of 2013, there was a decline in **household consumption**, which continues to be held back the weakness of disposable income and the difficult conditions of the job market. The recovery of confidence that began in 2013 was interrupted in the fourth quarter.
In the summer months, consumption decreased by 0.2%; the decline was the most moderate since the beginning of the recession. The decrease in consumer spending was accompanied by a slight increase in the disposable incomes of consumer households. There were signs of the stabilisation of household spending in the final part of the year.

Banking and finance

Retail funding performance remained stable, with some signs of renewed confidence by international investors in Italian intermediaries.
The **demand for credit** from businesses and households remained weak: loans to businesses decreased by 8.4%, and loans to families by 2.1%. The decrease in loans to businesses over the twelve months was most significant for intermediaries belonging to the top five groups. In addition, the decline in loans disbursed was most significant for borrowers with fewer than 20 employees. According to the banks interviewed in the quarterly survey of bank lending in the Euro Area (the *Bank Lending Survey*), in the third quarter of 2013 the lending policies applied to loans to businesses remained essentially unchanged, at slightly restrictive levels, continuing to be affected by the perception of credit risk. Credit access conditions differed greatly by company size category: the net percentage of companies with fewer than 50 employees that reported a deterioration of lending conditions was twice that for companies with over 249 employees. Similarly, the share of small enterprises interviewed that stated that they had not obtained the financing for which they had applied came to 18.1%, compared to 9.3% for their large counterparts. In cases in which loan applications were granted, the less favourable loan conditions primarily translated, for both size groups, into higher interest rates and requests for more extensive guarantees.

Growth in bank lending to the non-financial private sector (1)
(monthly data; percentage changes)



On the other hand, the **cost of credit** continued to decline slightly, while remaining above the average for the Euro Area. The decline was most likely driven by the reduction of official rates by the ECB in early November.
In the third quarter of 2013, the flow of **new bad debts** (net of seasonal factors and on an annual basis) ceased rising for the first time since 2011, while remaining high. Preliminary information indicates that in October and November the total exposure to borrowers entering the bad debts category for the first time decreased by 16% compared to the corresponding period of 2012.
Italian banks further improved their financial positions, although profitability remains modest, owing in particular to the deterioration of credit quality.

The cooperative banking system

In 2013, cooperative banking continued to outperform the Italian banking industry at large, despite the persistent negative consequences of the unfavourable economic and financial cycle.
On the lending side, there was an increase in market share for loans to businesses to 26.2%; market share for smaller companies remained stable at 26.1%.
The risk level, measured in terms of the performance of gross bad debts as a percentage of total loans, came to 10% (12% for the banking industry at large); the figure was 7.3% in 2012, 5.5% in 2011 and 4.3% in 2010.
Total funding continued to decline, owing primarily to the bond component. On the other hand, deposits performed positively (4%), although less so than in 2012 (8%), owing to the values recorded in the regions of northern Italy, while southern Italy remained in negative territory (-0.7% in both 2013 and 2012).
The ratio of loans to funding reached a considerable level, above 90%, especially when compared to previous years: 73.9% in 2012, 73.3% in 2011 and 74.5% in 2010, bearing witness to the desire to continue to provide

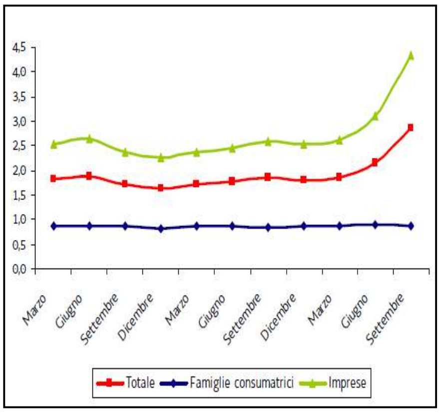
credit for the economy. Expectations for the current year call for a gradual improvement in production. In the second half of the year in particular, this is expected to result in a recovery in banking activity for both cooperative banks and other financial institutions, with positive effects on margins and earnings.

The regional banking system[2]

The decline in bank loans in the region that began in late 2011 continued in 2013: during the twelve months to September 2013, bank credit extended to customers residing in Friuli Venezia Giulia decreased by 3.3%. The decrease was more accentuated in the case of loans to businesses (-5.5%), whereas the decline in loans to households stood at -1.1%. The downtrend may be attributed to both the weakness in demand from companies and households and banks' lending policies, which remain selective.

New bad debt flows in Friuli Venezia Giulia[3]

Credit quality, measured as new bad debt positions as a percentage of total loans since the beginning of the period, continued to decline slowly but constantly for the business sector: new bad debt positions amongst loans to banks came to 4.3% in September 2013. On the other hand, new bad debt positions amongst consumer households remained constant at 0.9% (Fig. 1).



Bank deposits decreased by 2.7% on an annual basis. The performance of deposits held by consumer households remained positive, while showing the most modest growth since 2012, at 3.2% per annum. Deposits held by businesses declined very sharply, falling by -21%.

According to the most recent economic forecasts[4], in 2014 GDP growth is expected to resume (+0.7% in Friuli Venezia Giulia and +0.8% in Italy), while the unemployment rate is projected to continue to rise (8.7% in the region and 13.0% in Italy).

[2] Source: Autonomous Region of Friuli Venezia Giulia: *The Credit Market for Businesses and Families in Friuli Venezia Giulia*
[3] Source: Autonomous Region of Friuli Venezia Giulia: *The Economic Crisis in Friuli Venezia Giulia: Monthly Statistical Summary*.
[4] Source: Prometeia.

The Banca Popolare di Cividale Group

Scope of consolidation

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

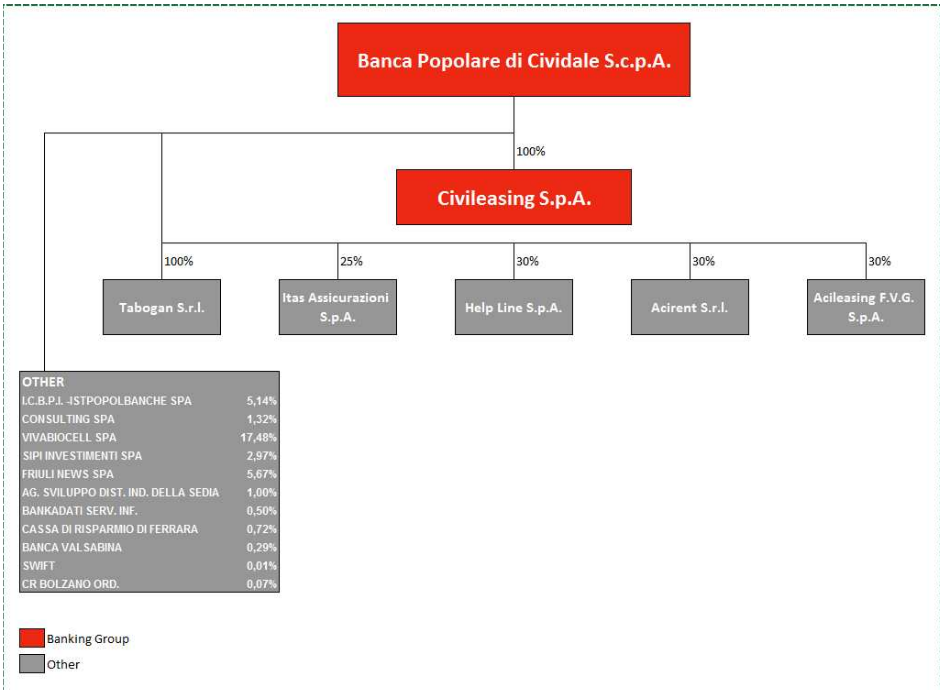
1. the financial statements of Banca Popolare di Cividale S.c.p.A., Civileasing S.p.A. and Tabogan S.r.l., consolidated on a line-by-line basis; and
2. the financial statements of Acileasing Friuli Venezia Giulia S.p.A., Acirent S.r.l. and Itas Assicurazioni S.p.A, consolidated according to the equity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

Auditing of the consolidated financial statements

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

Structure of the Banca Popolare di Cividale Group at 31 December 2013

At 31 December 2013, the Banca Popolare di Cividale Group was organised as follows:



In 2013 the Group undertook a restructuring project that resulted in the merger of Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. The merger is part of the project aimed at revising the Group's business plan approved by the Parent Company's Board of Directors on 8 March 2013.

The branch network of the Banca Popolare di Cividale Group

The Group's branch network consisted of 74 operational branches at 31 December 2013.

During 2012, the Group continued to expand within Friuli Venezia Giulia and into neighbouring eastern Veneto in accordance with the branch plan authorised by the Bank of Italy. During the year, a branch was opened on Via Crispi in Udine.

With the newly opened branches, the Group now has a presence in six provinces in the regions of Friuli Venezia Giulia and Veneto, distributed as follows:

- 40 in the province of Udine;
- 8 in the province of Gorizia;
- 11 in the province of Pordenone;
- 3 in the province of Trieste;
- 6 in the province of Treviso;

- 5 in the province of Venice; and
- 1 in the province of Belluno.

The human resources of the Banca Popolare di Cividale Group

At 31 December 2013, the human resources of companies belonging to the Banca Popolare di Cividale S.c.p.A. Group numbered 593 compared to 595 in December 2012, marking a decrease of two resources.

The merger of Banca di Cividale and Nordest Banca into Banca Popolare di Cividale entailed the intercompany transfer of 469 resources. Net of this operation, seven employees were hired and nine left service. The sales network (branches) employs a staff of 386, representing 65.1% of the total headcount.

Workforce statistics for the Banca Popolare di Cividale Group

Classification of staff by professional category:

	31/12/2013			31/12/2012		
	Men	Women	Total	Men	Women	Total
Senior managers	9	-	**9**	10	-	**10**
Middle managers	186	34	**220**	185	35	**220**
Middle managers – part time	-	10	**10**	-	9	**9**
3rd professional area	157	147	**304**	160	147	**307**
3rd professional area – part time	4	36	**40**	3	37	**40**
2nd professional area	3	7	**10**	3	6	**9**
1st professional area	-	-	**-**	-	-	**-**
Total	**359**	**234**	**593**	**361**	**234**	**595**

Incoming and outgoing personnel:

	Changes 2013			Changes 2012		
	Men	Women	Total	Men	Women	Total
Hirings	5	2	**7**	20	15	**35**
Terminations	7	2	**9**	26	12	**38**

Breakdown of workforce by age, gender and education:

	31/12/2013			31/12/2012		
	Men	Women	Total	Men	Women	Total
No. of employees by gender	359	234	**593**	361	234	**595**
Percentage of employees by gender	60,5%	39,5%	**100,0%**	60,7%	39,3%	**100,0%**
Level of education						
University degree	138	102	**240**	134	103	**237**
Secondary school diploma	213	128	**341**	219	127	**346**
Other	8	4	**12**	8	4	**12**

Breakdown of workforce between headquarters and branch network:

	Number of employees			
	31/12/2013	%	31/12/2012	%
Headquarters	187	31,5%	182	30,6%
Branch netw ork	406	68,5%	413	69,4%
Total	**593**	**100,0%**	**595**	**100,0%**

Training

As in previous years, the 2013 Training Plan was drafted according to the guidelines envisaged in the three-year Strategic Plan. In further detail, training programmes were implemented with the aim of: bringing current skills into line with the strategic skills identified; disseminating the knowledge present in the company and encouraging uniform behaviour; and disseminating company values and objectives. Training activity took the form of behavioural initiatives of a managerial nature (on communication, relationships and sales), initiatives of a technical nature (on credit and products) and initiatives concerning laws and regulations (prevention of money-laundering, the administrative liability of entities, workplace safety, etc.).

During 2013, the employees of Banca Popolare di Cividale S.c.p.A. received a total of 22,059 hours of training, corresponding to 2,941 man-days.

Particular attention was devoted to organising courses concerning legal obligations, with a special focus on ISVAP rules (ISVAP Regulation No. 5 of 16.10.2006), a process that involved conducting the associated

training and subsequent refresher sessions on insurance issues in order to ensure that insurance product sales staff were able to keep their qualifications current. Considerable efforts were also dedicated to training and refresher sessions for personnel concerning money-laundering prevention rules pursuant to Legislative Decree No. 231 of 2007.
Staff members also participated in conventions and seminars organised by industry associations and companies and other organisations with experience in the areas in question in order to further explore the various issues and new developments that occurred in the banking industry.

Document on the Group's compensation policies
The general principles of the governance provisions issued by the Bank of Italy place especial emphasis on the mechanisms for providing compensation and incentives to bank strategic supervision and control body members, management, employees and contractors, and state that those mechanisms are among the key factors to fostering the competitiveness and governance of banks, in addition to being a means of attracting and retaining employees with professional skills and expertise suited to the company's needs.
Such compensation mechanisms are to be inspired by the principles of sound, prudent risk management policies and are to be consistent with long-term company strategies and objectives. Supervisory regulations thus envisage that personnel compensation policies, including any plans based on financial instruments (e.g., stock options), be subject to approval by the shareholders' meeting.
The shareholders' meeting is thus called upon to approve the *Group Compensation Policies*, a document that provides a detailed account of the Banca Popolare di Cividale Group's compensation and incentive policies and the principles of propriety, fairness and transparency upon which those polices are founded, in accordance with the Bank's business philosophy, which aims to create sustainable economic, but also social, value in the medium term. A detailed disclosure of the implementation of the Group's compensation policies is provided to the ordinary session of the Shareholders' Meeting.

Bonus and incentive system

During the year, activity in the area of human resources management policies included an update to the incentive system for the sales network focused on quantitative balance sheet and income statement targets with a focus on the long term and customer satisfaction, while also taking management risk profiles into consideration. The incentive system is integrated into the more general bonus system, which consists of the set of rewards (fixed and variable) for the professionalism and qualitative and quantitative performances of the Group's human resources.

Mission and values of the Banca Popolare di Cividale Group

The mission of the Banca Popolare di Cividale S.c.p.A. Group is to **create value over time** for:

- **shareholders**, who believe in this venture and have placed their trust in us;
- **customers**, the households and businesses that, in exchange for their loyalty, are entitled to appropriate services;
- **employees**, who add value to the Group and, in return, expect professional growth and economic rewards; and
- **the community**, as true progress is not possible unless economic growth is accompanied by social, cultural, ethical and moral advancement.

The Banca Popolare di Cividale S.c.p.A. Group seeks to become a point of reference for families, government and businesses in the Friuli Venezia Giulia region, and to promote cultural, economic and social growth in its local area.

The Banca Popolare di Cividale S.c.p.A. Group intends to continue to operate independently, identifying all forms of cooperation that can help it achieve its corporate aims.

The mission of the Banca Popolare di Cividale S.c.p.A. Group is inspired by the following values:
- *Driving change*

The Banca Popolare di Cividale S.c.p.A. Group seeks to be a driver of change by continuously questioning its function and re-casting itself in innovative, effective ways.

- *Independence*

The Banca Popolare di Cividale Group intends to continue to operate independently, identifying all forms of cooperation that can help it achieve its corporate aims.

- *Customer focus*

Customers lie at the heart of the Group's strategic and operational choices. Relationships with customers are based on attentiveness and a propensity to listen, in order to offer a constantly evolving range of products and services.

- *Entrepreneurship and involvement*

A spirit of **initiative**, **belief**, **commitment** and **participation** characterise the people who work for our Group. These same characteristics underpin our search for quality and innovation in our products and services in order to cater to customer needs.

- *Competence and professional growth*

The growth of the Banca Popolare di Cividale S.c.p.A. Group over time leverages the Group's wealth of professional skills and experience by sharing knowledge and promoting the development of interpersonal relations.

- *Ethics and transparency*

Responsibility and fairness are the cornerstones of the Group's interaction with customers, shareholders, associates and the community as a whole. By enhancing transparency in business and commercial dealings, supporting social responsibility initiatives and respecting the environment, the Banca Popolare di Cividale S.c.p.A. Group intends to foster economic, social and cultural development in the area where it operates.

- *Identity and history*

The Group's cultural roots can be traced back to its historic identity as a credit institution founded to foster local economic and social development.

Corporate management and the pursuit of a common objective

The shareholders

The Company had 12,994 shareholders at 31.12.2013, the result of the purchase of interests by 1,236 new investors and the sale of interests by 551 shareholders.

During the year, the Company purchased 878,896 treasury shares on its own account for a total of €21,532,952 and sold 1,276,168 treasury shares on its own account for a total amount of €31,266,116, corresponding to 5.16% and 7.50%, respectively, of outstanding shares at 31 December 2013.

At 31 December 2013 there were 297 shares in portfolio, for a total value of €7,276, corresponding to 0.002% of outstanding shares at 31 December 2013.

Such transactions were undertaken in accordance with statutory rules and within the limits of the distributable earnings and available reserves with the aim of fostering the circulation of the Company's shares.

The shareholder-customers of the subsidiary Banca di Cividale S.p.A. were allowed to place purchase and sale orders for shares of Banca Popolare di Cividale in the context of the customer order execution service. This activity was suspended in September 2013 in view of the merger of the Group banks. Through this channel, customers sold 770,252 shares for €18,871,174 and purchased 236,901 shares for €5,804,074.

During 2012, 1,236 applications for the admission of new shareholders were reviewed. No applications were rejected due to failure to meet the requirements set forth in the Articles of Association.

The demonstration of the principle of the "open nature of the company" sanctioned by Article 2528 of the Italian Civil Code is summarised in the following table, which shows changes in shareholders over the past five years:

Year	Incoming shareholders	Outgoing shareholders
2009	878	374
2010	1,502	357
2011	570	384
2012	1,012	608
2013	1,236	551

Annual report on the mutual nature of the cooperative and corporate social responsibility

This section of the report, in addition to discharging the obligation imposed by the reformed text of Article 2545 of the Italian Civil Code, represents an important opportunity to provide shareholders with objective, measurable data that certify that the Parent Company's operations match the mutual spirit of the Company as envisaged by Article 3 of the Articles of Association. In other words, this report allows the Bank to provide further proof that the cooperative model is well suited, even in the current competitive scenario, to meeting the needs of economic, moral and cultural promotion expressed by the society and communities in which the Bank operates.

The Parent Company pursues the wellbeing, promotion and development of the local communities in which it operates, both in its traditional base of operation and new areas, in accordance with the mutual nature of cooperative banking.

The Parent Company's endeavours are inspired by the principles of lawfulness, loyalty, propriety and transparency as it pursues its primary goal of creating value for its shareholders, customers, employees and local communities at large.

During 2013, the Board of Directors steered the institution's operations towards a primary focus on shareholders. Shareholders are of central importance since they are also customers of the Bank or other Group institutions. The twofold role of shareholder and customer is an advantage that emphasises the bond of trust and strengthens the mutual orientation of commercial initiatives.

Article 3, paragraph 3, of the Articles of Association expressly states that "in accordance with its institutional goals, the Company shall provide its shareholder-customers with access to specific services under privileged conditions, just as it shall give preference to its shareholders in issuing loans, all other conditions being equal."

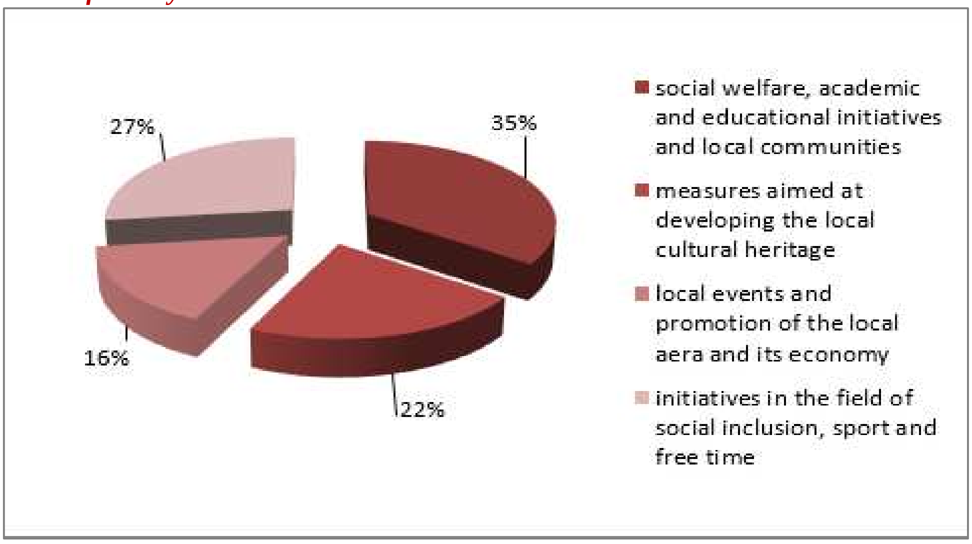
The figure at the end of 2013 appears especially significant in this respect, in that it indicates that the shareholders of Banca Popolare di Cividale who are also customers of Group companies hold an interest of over 90%.

During 2013, the Bank continued to pursue the principles enunciated above by offering shareholders financial and banking products at better economic conditions than standard list prices.
Yet it is not only initiatives aimed at shareholders that bear witness to the Parent Company's pursuit of the mutual objectives envisaged by the Articles of Association. The focus on the local community's needs is borne out by a number of initiatives aimed at providing social, cultural, athletic, solidarity and environmental support. Most such initiatives are modest in scope and leverage local branch sensibilities to contribute to the lives of hundreds of entities and associations spread throughout the territory, giving rise to intense activity with an important effect on local communities.

Corporate social responsibility and the Banca Popolare di Cividale Group

The Banca Popolare di Cividale Group's socially responsible behaviour shows that our institution is both an economic player and an active participant in its local community.
The local focus that has always characterised our Group binds us to local communities with reciprocal support and reinforcement. Placing the community's expectations at the heart of the company's strategies is one of the factors that set apart our approach.
Our Group has always contributed to the sustainable development of the community through an approach to management aimed at reinforcing social cohesion.
A focus on the local community and solidarity are the founding values of cooperative banks, yet they are also the values that inspire our Group's mission. The Bank adds value and transfers it back to the community, allowing for the creation of further value and generating profits that stimulate demand and create jobs by also securing the involvement of those who do have direct relationships with the Bank. Banca Popolare di Cividale was born of the need for solidarity amongst people from the same local community who grasped the chance to work together to achieve goals not possible for the sum of individual efforts.
Local banks contribute to a community's growth by supporting its most deserving endeavours. During 2013, the companies of the Banca Popolare di Cividale Group supported local entities and associations in continuing to do their work on behalf of the community.
A total of €257 thousand in charitable donations were made to schools, entities, athletic and cultural associations and societies operating in the region. An additional €336 thousand was provided to local entities for which the Bank provides treasury service.
Accordingly, the total amount of funds donated to socially relevant initiatives at the Group level came to €593 thousand in 2013.
It should also be noted that Group companies have invested over €514 thousand in the community to sponsor cultural and educational activities, events aimed at promoting the local economy, and local athletic associations and events.
Considering contributions towards social initiatives and the investment in promotional activity, and excluding advertising, narrowly defined, the total financial support representative of the banking group's annual social commitment in the community came to more than €1.1 million, an amount that may fairly be considered to constitute a social dividend.

Areas of activity in 2013



The Bank's endeavours to develop the community's rich historical and artistic heritage enabled important research to be conducted. The 36th edition of the annual publication *Forum Iulii*, funded by Banca Popolare di Cividale, which consolidates each year's studies conducted under the auspices of Cividale del Friuli's National Archaeological Museum, was presented during the year.
The banking group also supported the organisation of the exhibition event *Il Cammino di Pietro* (Peter's Journey) held in Illegio di Tolmezzo: 40 pieces, from East to West, that cover the history of Christianity from the fourth to twentieth centuries. On display were paintings and sculptures by exceptional artists such as Lorenzo Veneziano, Garofalo, Guercino, Gerrit van Honthorst, Luca Giordano, Mattia Preti, Simon Vouet, Vasilij Dmitrievic Polenov and Eugéne Burnand. Also worthy of mention is Banca Popolare di Cividale's membership in and support for the Mittelfest Association, based in the ducal city. The association was created with the aim of contributing to the development of knowledge and the exchange of experience in the fields of theatrical and musical performance between Friuli Venezia Giulia and central European nations. To this end, each year the association organises an event entitled Mittelfest in Cividale del Friuli, a multi-cultural festival featuring prose, music, dance, cinema and street theatre.
Upon the proposal of Istituto Centrale delle Banche Popolari Italiane, Banca Popolare di Cividale participated in the project *Cooperative Banks for St. Peter's Colonnade in Rome*, a fund-raising initiative in support of the daunting efforts to restore Bernini's celebrated colonnade. Faced with one of the most demanding restoration campaigns of recent decades, the Vatican Museums launched a fund-raising initiative of considerable cultural value. The Bank supported the noble cause by purchasing copies of the special edition of the DVD *Vatican Treasures – Art and Faith* created by the Vatican Museums, to be given as gifts to its customers.
During the reporting year, the Bank continued to support local associations committed to spreading and promoting popular culture and traditions, including organisations that represent the Slovenian minority in Friuli Venezia Giulia, which is highly active in the cultural arena.
The Banca Popolare di Cividale Group, which has always been attentive to academics and education, promoted the eighth edition of the Regional Savings Day devoted to elementary schoolchildren, an important opportunity to sensitise even the youngest about the issue of saving. The 2013 edition involved the presentation of the volume *Aghe e Savon*, written by teacher Miriam Pupini and published by the Friuli Philological Society, with an important contribution from the Bank. The publication deals with the subject of water conservation, considering water a precious resource that must be used wisely, while avoiding waste and excessive consumption. *Aghe e Savon* is thus also an opportunity to instil this value through language, illustrations and activities suited to the youngest of readers. The choice to use the local languages – Friulan, Italian and Slovenian – allows the publication to play a considerable didactic role, thus ensuring that this slim volume will also be used for academic purposes and to promote understanding between neighbouring linguistic communities.
Local promotion is another of the banking group's prerogatives, and its support for fairs and local development events is proof of that fact. The Bank continued to collaborate with the San Daniele Ham Consortium in 2013 to organise the international event A Festive Air, for which Banca Popolare di Cividale acted as the event's official sponsor. The Bank also contributed to the organisation of the fair ExpoMego organised by Udine e Gorizia Fiere S.p.A. Support was also renewed for the Pro Loco Association of Friuli Venezia Giulia and the Alpine Refuge and Excursion Shelter Managers Association of Friuli Venezia Giulia and Veneto.
The Banca Popolare di Cividale Group continued to play an active role in the areas of sport and free time, maintaining support for racing, cycling and golf and contributing to the ongoing operation of local football, rugby, volleyball, basketball, tennis and swimming clubs, as well as all other disciplines that provide an important opportunity for togetherness.
Also worthy of note is the success of the Civibanca Project, strongly supported by Banca Popolare di Cividale, which promotes local associations with the involvement of the entire community. From the launch of the project (June 2012) to date, nearly 500 local associations with accounts with Banca Popolare di Cividale have elected to participate. These entities engage in non-profit activity in favour of cultural, social and moral progress in the local community, in a manner consistent with the values of our Bank's code of ethics. All of this serves to demonstrate that the Civibanca Project is synonymous with transparency, active participation and a strategic approach.
The reader is referred to the Banca Popolare di Cividale's forthcoming 2013 Social Responsibility Report.

The Group's operating performance during the year

Within the economic scenario described above, operations in 2013 focused on rationalising production processes, in part through the process of reorganising and simplifying the Group’s corporate structure and monitoring and management of risks, especially credit risks, with the aim of keeping current profitability levels in line with market developments. Work on preparing the 2014-2016 Strategic Plan was begun during the year and now has essentially been completed. There was a particular focus on significant projects (known as “worksites”) aimed at achieving specific objectives, which affected all operating and management areas with measures that involve decisive action in the context of the credit process, the implementation of new planning and control processes, capital management activity, commercial coordination, organisational efficiency measures and cost reductions.

The restructuring project

The merger of Banca di Cividale and Nordest Banca into the Parent Company, Banca Popolare di Cividale, authorised by the Bank of Italy on 31 October 2013, was finalised on 28 December 2013 with the execution of the merger agreement, effective from a legal standpoint from 30 December 2013 and from an accounting and tax standpoint from 1 January 2013.

The process of reorganising the Group’s corporate structure was implemented through the merger of two subsidiary banks into the Parent Company. In further detail:

- BDC/BPC merger: the merger of Banca di Cividale S.p.A. into Banca Popolare di Cividale S.c.p.A., preceded by the repurchase of the interest in Banca di Cividale held by Credito Valtellinese.

  In consideration of the corporate structure of the merging company (BDC), a fully-owned subsidiary of the surviving company (BPC), the merger was carried out in simplified form pursuant to Art. 2505 of the Italian Civil Code.

- NEB/BPC merger: the merger of Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A., subject to the provisions of Articles 2501 *et seq.* of the Italian Civil Code and approved by the extraordinary sessions of the shareholders’ meetings of the companies involved on 5 and 8 December 2013, respectively.

Main aspects of commercial activity

Sales and marketing policy

During 2013, the Group continued with its sales and marketing policy in accordance with the guidelines set in the 2011-2013 strategic plan, focusing on completing its product catalogue and implementing commercial initiatives aimed at helping bank branches reach their targets for direct, transparent relations with their customers. The Group also restyled its products and services portfolio effectively, constantly updating the terms over the year in line with developments in the financial market.

The initiatives carried to completion during the year allowed the Group to strengthen its customer relations, partly by means of intense cross-selling and customer loyalty programmes, and partly by increasing the number of the Bank's customers with promotional activities geared to specific customer targets.

Products and services for individuals and families

The Bank’s line of products and services for individuals and families can be divided into three general areas: payment/services, credit and investment/security.

Payment/service products

In the current-account segment, the Group’s diversified solutions, aimed at satisfying customers’ specific needs, contributed to increasing the number of new customers who decided to choose our Group. The net balance of new accounts opened and accounts closed came to 2,093 new current accounts opened, resulting in an increase in the Bank’s individual and family customers of 3.1%.

In addition to representing one of the main means of expanding the customer base, current accounts are an indispensable avenue for developing business with current customers. It was with this goal in mind that additional “package-based” offers were introduced under the commercial name “Civiconto” in 2013, specifically aimed at condominiums (Civiconto Condominio) and the non-profit sector (CiviConto No Profit).

During 2013, online services for individuals witnessed an increase in customers' usage of the Civib@nk Internet banking platform, a service that allows customers to receive information and make transactions with the Bank over the Internet directly from their own homes in absolute security, 24 hours a day. Active individual users numbered 23,712 at year-end (+14.4% compared to 2012).

During 2013, with the aim of improving the utility of the online channel, the Group updated its CiviB@nk app, available free of charge from the Apple Store, Google Play and Windows Phone, which made access to basic banking information via tablets and smartphones faster and more practical.

The security measures implemented in 2013 have proved effective, as witnessed by the negligible incidence of fraud.

In the electronic money segment, the distribution of payment cards yielded significant results in 2013: CartaSi credit cards reached over 17,000 active cards, up by 8%; CiviPay prepaid cards climbed above 9,000 units, up by 18%; and the number of ATM cards in issue exceeded 30,000.

Credit products

In 2013 the Group's activity continued to focus on maintaining credit offerings appropriate to the needs expressed by households in order to ensure the possibility of access to home ownership.

Customers who met the requirements continued to enjoy access to the subsidies provided under the regional residential construction guarantee fund for the Friuli Venezia Giulia area. These subsidies include a free guarantee for beneficiary families on the portion of a mortgage in excess of the value of the financed property, as well as the submission of applications for grants for first homes.

In order to aid families struggling to make their mortgage payments, the Bank implemented policies aimed at facilitating mortgage renegotiation, including through the suspension of repayment of the principal portion of instalments for up to twelve months, both within the context of the banking industry initiatives designated the "Family Plan" and through measures implemented on the basis of specific, justified individual situations.

The volume of mortgage loans issued for home purchases or renovations to consumer households stood at €65 million.

In the personal loan segment, commercial offerings were characterised by the launch of a new line of products, Civiprestito, and a revamping of credit products intended for energy saving initiatives and improving the energy efficiency of buildings, under the name Ecoprestito. The volume of credit disbursed in 2013 came to €18.5 million, up by 17.8% compared to the previous year.

Investment/security products

In 2013 investment products met with renewed interest following on the difficulties experienced in 2012. The reduction of tension relating to the political and economic situation of several countries in the Euro Area and the persistent conditions of strong liquidity and a low level of interest rates guaranteed by the world's foremost central banks fostered investment decisions oriented towards both bond and equity markets. The range of asset management products has been successful in capturing this new demand, especially in the funds and UCITS sector, with particular emphasis on innovative new products such as funds with initial commissions advanced by the distributor.

The range of deposit accounts in the Civiconto Deposito line met with strong approval in terms of selection by customers, in confirmation of its conservative orientation focused on seeking liquidity and security. During the year, the range was expanded to include products with longer time horizons of up to five years and the introduction of monthly savings plan products aimed at families with modest savings capacity. Overall, the funds raised through these instruments that combine security and a high level of return exceeded €280 million.

As the need to invest has increased, so has the need for security, which resulted in a sharp rise in demand for policies, especially casualty policies, met by distributing the products of the Group's partner ITAS Assicurazioni, which in 2013 exceeded 2,400 policies.

Products and services for businesses and other entities

Despite the continuation of economic difficulties, in 2013 initiatives aimed at facilitating access to credit for small and medium enterprises continued.

Especially significant was the launch of operations with the guarantee fund for SMEs, which facilitates access to credit by SMEs thanks to a public guarantee at very modest cost, as well as with SGFA, the Agricultural and Food Funds Management Company, which provides guarantees for agricultural companies. The amount of the guarantees currently in issue has reached €16 million.

The agreement with the European Investment Bank (EIB) allowed additional resources to be obtained, for a total of €17 million, with which financing was disbursed at competitive interest rates to local SMEs, thanks to the financial benefits transferred from the EIB.

The various subsidised lending facilities made available by the Region of Friuli Venezia allowed further financing to be provided to various sectors of the economy, for an overall total of over €25 million. Among these, the primary sector was of particular significance: the funding provided drawing on the rotating funds for agriculture made available pursuant to Regional Law No. 80/1982, accounted for approximately one-half of the funds disbursed.

Further support for credit for local business was provided by collaboration with regional guarantee consortia, in addition to Cofidi Veneziano, a dynamic organisation based in Eastern Veneto, with which a range of arrangements were renewed and updated. The amount of the total loans guaranteed by the guarantee consortia system has reached €126 million.

The Department's offices continued to provide technical advice and support to the distribution network in order to facilitate and encourage the completion of the various lending procedures.

In 2013, package-based account offers were introduced under the trade name "Civiconto Impresa," aimed at SMEs, self-employed workers and professionals and characterised by a simplified cost structure based on a monthly fee.

The number of POS terminals installed on the premises of merchants came to 2,244, up by 15%, while active and passive Civib@nk CBI multi-bank remote banking connections exceeded 3,300 units, an increase of 11%.

Changes in the organisational structure and procedures

SEPA project

In 2013, the Group intensified its efforts aimed at achieving legal and technological compliance in view of the entry into force of Regulation (EU) No 260/2012 (31 March 2012), which sets the technical and commercial requirements for the execution of SEPA-compliant funds transfers and direct debits and establishes final deadlines for the adoption of pan-European standards for domestic and cross-border payments. In further detail, effective 1 February 2014 all funds transfers and direct debits must be undertaken in accordance with the standards envisaged in the Regulation rather than with national procedures and standards. The Group was thus required to handle all of the technical and organisational aspects related to the migration of national payment services (funds transfers) to SCT (SEPA Credit Transfer) and of RID direct debits to SDD (SEPA Direct Debit).

Due to the novelty and particular nature of the subject matter, specific training and technical support were provided to the network in cases of the migration of RID direct debits to SDD for customers acting as creditors.

FATCA ("Foreign Account Tax Compliance Act")

In order to comply with FATCA, enacted by the U.S. government with the aim of combating tax evasion by U.S. persons with the collaboration of foreign intermediaries, a joint working group was formed with the IT supplier Bankadati.

The working group, which commenced in June, is tasked with analysing the extensive legal impact on operations and applying the required changes to operating processes and IT systems by the entry into force of the legislation, envisaged for June 2014.

Anti-money laundering

During the year, several important IT implementations relating to anti-money laundering were released. The main such implementations were:

- the implementation of automatic controls on branch transactions that prevent all individuals from engaging in transactions without adequate verification of all accounts attributable to the individual concerned;
- the release of the *Enhanced Adequate Review Questionnaire*, which requires the institution to conduct an even more thorough assessment than normal for customers deemed high-risk.

These important changes contribute to rendering the anti-money laundering controls already in place for some time even more effective.

Mergers

In the second half of the year, the Bank was deeply committed to the activities associated with the merger implemented on 31/12/2013.

Action was taken on two main fronts:

- in coordination with the IT supplier Bankadati, all technical activities relating to the IT migration of data were finalised and implemented;
- points requiring attention relating to the merger were identified and all formal steps required to finalise the merger were taken, with the collaboration of various departments within the Group.

Concurrently with the merger process, the main areas requiring revision in connection with the changed corporate structure were identified: the internal rules and procedures already partly revised and to be revised in the first few months of 2014, as well as an analysis of operating processes aimed at achieving organisational simplification.

Significant events during the year

Significant events during the year included:

Inspection by the supervisory authority

The Bank of Italy's inspection of the banking group began on 26 March 2013 and was concluded on 7 August 2013. An inspection report was delivered in October.

Investigation by the Public Prosecutor's Office of Udine

In April, following an investigation by the Public Prosecutor's Office of Udine, the subsidiary Banca di Cividale S.p.A. and several exponents of the issuer and institutions belonging to the Banca Popolare di Cividale Banking Group were subject to investigation in connection with circumstances dating back to the period from 2004 to 2008. In connection with the above-mentioned circumstances subject to investigation, on 8 March 2014 the preliminary investigation process was officially concluded with an application for committal to trial of the investigated parties by the Udine Public Prosecutor's Office.

Appointment of the new general manager

In April, Mario Leonardi was appointed the new general manager of Banca Popolare di Cividale, following the previous manager's resignation.

New agreements between the Banca Popolare di Cividale Group and Creval Group

In early June, a new agreement superseding all previous understandings was signed by the Banca Popolare di Cividale Group and Creval Group, establishing the conditions of the sale of the entire equity investment held by Credito Valtellinese in Banca di Cividale. Additional agreements were also reached for the continuation of the strategic partnership between the two banking groups.

The agreement envisaged for the purchase of the interest held by Creval in Banca di Cividale for total consideration of €73.7 million.

The transaction is also to involve the subscription by Creval for a subordinated bond issued by Banca Popolare di Cividale with a par amount of €15 million.

Under the agreement reached, Credito Valtellinese purchased an equity interest in Banca Popolare di Cividale, subsequent to the merger, by subscribing for newly issued shares, for total maximum consideration of €4.1 million.

Banca Popolare di Cividale and Creval thus intend to reaffirm their desire to maintain close partnership ties for the future, following the mutual satisfaction of their pursuit of the common goals identified when the original agreements were signed in 2004. In further detail, the agreements for the supply of ICT services by the Creval Group to the Banca Popolare di Cividale Group have been renewed through the end of 2016.

Analysis of main consolidated balance-sheet aggregates and earnings results

The reporting year continued to show the effects of the ongoing recession. However, operating margins were positive, driven in particular by the positive performance of financial assets and the decline in operating costs. Funding and lending volumes, down slightly, reflect the performance of the industry at large. Loans in particular were affected by the persistent weakness of demand, as well as the prudential accruals for non-performing positions.

In order to provide a more effective presentation of earnings results, in the reclassified balance sheet and income statement certain restatements have been applied with respect to the accounting schedules (the details of which are presented at the foot of each reclassified table).

Reclassified balance sheet

ASSETS	31/12/2013	31/12/2012	Var %
Cash and cash equivalents	20.021	25.501	-21,5%
Financial assets held for trading	3.512	11.198	-68,6%
Financial assets available for sale	1.472.132	1.393.365	5,7%
Invetments held to maturity	105.413	104.107	1,3%
Due from banks	163.750	383.227	-57,3%
Loans to customers	3.113.834	3.182.832	-2,2%
Investments in associates and companies subject to joint	7.529	8.635	-12,8%
Property, plant and equipment and intangible assets (1)	106.377	96.507	10,2%
Other assets (2)	104.690	81.197	28,9%
Total assets	**5.097.258**	**5.286.569**	**-3,6%**

(1) The aggregate includes items “120. Property, plant and equipment” and “130. Intangible assets.”
(2) The aggregate includes items “140. Tax assets” and “160. Other assets.”

LIABILITIES	31/12/2013	31/12/2012	Var %
Due to banks	1.010.863	970.236	4,2%
Direct funding from customers (1)	3.698.696	3.787.932	-2,4%
Financial liabilities held for trading	965	2.073	-53,5%
Hedging derivatives	-	2.915	-100,0%
Other liabilities	116.332	119.212	-2,4%
Specific provisions (2)	9.094	6.936	31,1%
Shareholders' equity pertaining to minority interests	-	57.659	-100,0%
Shareholders' equity (3)	261.309	339.606	-23,1%
Total liabilities	**5.097.258**	**5.286.569**	**-3,6%**

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

Reclassified income statement

INCOME STATEMENT DATA	31/12/2013	31/12/2012	Var %
Net interest income (including result of hedging)	82.406	85.809	-4,0%
Net commissions	22.287	23.523	-5,3%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.278	1.912	-33,1%
Net trading income	423	3.332	-87,3%
Gains (losses) from purchase/sale of loans and financial assets	50.633	8.878	470,3%
Other operating income (expenses) (4)	736	2.770	-73,4%
Operating income	**157.762**	**126.224**	**25,0%**
Personnel expenses	(41.308)	(40.727)	1,4%
Other administrative expenses (2)	(26.843)	(27.727)	-3,2%
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(1.374)	(1.587)	-13,4%
Operating cost	**(69.525)**	**(70.041)**	**-0,7%**
Income (loss) from operating	**88.237**	**56.183**	**57,1%**
Charges/write-backs on impairment of loans and other assets	(128.150)	(41.332)	210,0%
Goodwill impairment	(1.051)	-	100,0%
Net provisions for risks and charges	(2.410)	(858)	180,9%
Profit (loss) on equity investments	-	356	100,0%
Income (loss) before tax from continuing operations	**(43.375)**	**14.348**	**-402,3%**
Tax on income from continuing operations	7.581	(8.021)	-194,5%
Income (loss) after tax from continuing operations	**(35.793)**	**6.327**	**-665,7%**
Minority interest	-	3.226	-100,0%
Net income for the period attributable to the parent company	**(35.793)**	**9.553**	**-474,7%**

(1) Profits of equity investments measured at equity include the profits/losses of equity investments measured according to the equity method included in item "240. Profit (loss) of equity investments."
(2) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "220. Other operating income/expenses" (€4,663 thousand in 2012 and €7,033 thousand in 2011).
(3) Net adjustments to property, plant and equipment and intangible assets include items "200. Charges/write-backs on impairment of property, plant and equipment" and "210. Charges/write-backs on impairment of intangible assets."
(4) Other income and expenses correspond to "220. Other operating income/expenses" net of the reclassifications presented above.

Banking business with customers

Total funding

Total direct and indirect funding came to €4,573 million at the end of 2013, marking a decrease of €141.7 million, or 3.0%, on the previous year.

	31/12/2013	inc %	31/12/2012	inc %	VAR	VAR %
Direct funding	**3.698.696**	**80,9%**	**3.787.931**	**73,3%**	**(89.236)**	-2,4%
Indirect funding:	**874.087**	**19,1%**	**926.512**	**26,7%**	**(52.425)**	-5,7%
Assets under administration	329.784	**7,2%**	379.115	**16,1%**	**(49.331)**	-13,0%
Assets under management	544.303	**11,9%**	547.396	**10,6%**	**(3.094)**	-0,6%
Total funding	**4.572.783**	**100,0%**	**4.714.443**	**100,0%**	**(141.661)**	**-3,0%**

Figures in thousands of euro (*the 2012 figure has been normalised to render it comparable with the scope resulting from the merger undertaken in 2013*).

Direct funding

Direct funding from Group customers comprises item 20 "Due to customers" and item 30 "Debt securities issued" on the liabilities side. At year-end, the aggregate amounted to €3,698.7 million, down by 2.4% compared to 31 December 2012.

Direct funding from customers – figures at 31 December 2013 in thousands of euros

	31/12/2013	31/12/2012	VAR	VAR %
Direct funding	**3.698.696**	**3.787.931**	**(89.236)**	**-2,4%**
Due to customers	2.968.412	2.680.797	287.615	10,7%
Debt securities issued	730.284	1.107.135	(376.851)	-34,0%

The aggregate may be broken down into "Debt securities issued" (19.7%) and "Due to customers" (80.3%). The aggregate "Debt securities issued" (bonds and certificates of deposit) was down by 34.0% due to the redemption of bonds.

Breakdown of "Due to customers" in thousands of euros

	31/12/2013	31/12/2012	%
1. Current accounts and demand deposits	1.378.360	1.345.235	2,5%
2. Time deposits	282.466	80.302	251,8%
3. Borrow ings	1.268.021	1.215.868	4,3%
3.1 Repurchase agreements	1.257.498	1.141.344	10,2%
3.2 Other	10.524	74.524	-85,9%
4. Liabilities in respect of commitments to repurchase ow n equity instruments	-	-	-
5. Other payables	39.564	39.391	0,4%
Total	**2.968.412**	**2.680.797**	10,7%
Fair value - L1	-	-	0,0%
Fair value - L2	-	-	0,0%
Fair value - L3	2.957.656	-	0,0%
Fair value	**2.957.656**	**2.676.531**	10,5%

An analysis of the trends that shaped the performance of the components of amounts due to customers shows sustained growth in time deposits and repurchase agreements.

Breakdown of "Debt securities issued" in thousands of euros

	31/12/2013				31/12/2012				
	Book value	Fair value			Book value	Fair value			
		L1	L2	L3		L1	L2	L3	%
A. Securities									
1. Bonds	650.295	-	650.295	-	1.028.057	-	1.028.057	-	-36,7%
1.1 structured	14.936	-	14.936	-	14.928	-	14.928	-	0,1%
1.2 other	635.358	-	635.358	-	1.013.129	-	1.013.129	-	-37,3%
2. Other	79.989	-	-	79.989	79.077	-	79.077	-	1,2%
2.1 structured	-	-	-	-	-	-	-	-	-
2.2 other	79.989	-	-	79.989	79.077	-	79.077	-	1,2%
Total	**730.284**	**-**	**650.295**	**79.989**	**1.107.135**	**-**	**1.107.135**	**-**	**-34,0%**

Indirect funding and asset management

Indirect funding, which comprises assets under management and administration, came to €874.1 million at the end of 2013, marking a decrease of 5.7%.

Indirect funding from customers – figures at 31 December 2013 in thousands of euros

	31/12/2013	Comp. %	31/12/2012	Comp. %	VAR %
Asset under management	**544.303**	**62,3%**	**547.397**	**59,1%**	**-0,6%**
Investment funds and ICVCs	271.881	31,1%	246.272	26,6%	10,4%
Insurance savings products	63.659	7,3%	76.792	8,3%	-17,1%
Portfolio products	208.763	23,9%	224.333	24,2%	-6,9%
Asset under administration	**329.784**	**37,7%**	**379.115**	**40,9%**	**-13,0%**
Total indirect funding	**874.087**	**100,0%**	**926.512**	**100,0%**	**-5,7%**

An analysis of the components of indirect funding shows that assets under management came to €544.3 million at 31 December 2013, down by 0.6% compared to the previous year. This aggregate, which consists of mutual funds and investment companies with variable capital, bancassurance products and the securities- and funds-based portfolio management schemes operated by the Bank, accounted for 62.3% of total indirect funding at the end of 2013. In further detail, the securities- and funds-based portfolio management schemes operated by the Bank came to €208.8 million at 31 December 2012, down by 6.9% compared to the previous year. The bancassurance component decreased by 17.1% compared to the previous year to reach €63.7 million, whereas investment funds and investment companies with variable capital stood at €271.9 million, up by 10.4% compared to 31 December 2012.

Indirect funding in the form of assets under administration decreased by 13.0%, or €49.3 million, compared to the previous year.

Lending

At year-end, total loans to customers amounted to €3,113.8 million, down by 2.2%.
The decline is consistent with the performance of the banking industry at large and was shaped by the persistent weakness of demand, especially that for investments by companies, as well as by restrictive factors on the supply side associated with the contingent deterioration of credit risk. Nonetheless, despite the stringent operating conditions, the Group continued to provide credit in support of the local real economy, disbursing approximately €109 million to households and over €172 million to SMEs.

Breakdown of loans to customers in thousands of euros

	31/12/2013			Fair value			31/12/2012				%
	Performing	Non - performing					Performing	Non - performing			
		Purchased	Other	L1	L2	L3		Purchased	Other	FV	
1. Current accounts	429.620	-	80.288	X	X	X	493.514	-	83.934	X	-11,7%
2. Repurchase agreements	102.916	-	-	X	X	X	15.999	-	-	X	543,2%
3. Mortgage loans	1.597.255	-	200.662	X	X	X	1.683.378	-	193.210	X	-4,2%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	45.259	-	1.704	X	X	X	41.331	-	1.351	X	10,0%
5. Finance leases	256.118	-	63.705	X	X	X	272.367	-	65.810	X	-5,4%
6. Factoring	-	-	-	X	X	X	-	-	-	X	-
7. Other	320.366	-	15.939	X	X	X	317.559	-	14.378	X	1,3%
8. Debt securities	-	-	-				-	-	-		-
8.1 structured	-	-	-	X	X	X	-	-	-	X	-
8.2 other debt securities	-	-	-	X	X	X	-	-	-	X	-
Total (carrying amount)	**2.751.535**	**-**	**362.299**			**3.172.523**	**2.824.149**	**-**	**358.683**	**3.527.623**	**-2,2%**

Quality of customer loans - breakdown

A. ON-BALANCE-SHEET EXPOSURES	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure 2012	Hedging 2012
A.1 Bank Group							
a) Bad debts	379.049	220.193	X	158.856	58,09%	122.028	54,28%
b) Substandard loans	212.258	64.100	X	148.158	30,20%	142.954	16,32%
c) Restructured positions	13.545	2.380	X	11.165	17,57%	47.803	4,65%
d) Past due positions	49.741	5.622	X	44.119	11,30%	45.898	8,46%
e) Country risk		X	-	-	0,00%	-	0,00%
f) Other assets	2.769.648	X	18.112	2.751.536	0,65%	2.824.149	0,45%
TOTAL A.1	**3.424.241**	**292.295**	**18.112**	**3.113.834**	**9,06%**	**3.182.832**	**4,62%**

Credit quality was affected by the ongoing recession. At year-end, total non-performing loans, net of adjustments, amounted to €362.3 million (after adjustments of €292.3 million), marking an increase of 1.0% compared to the €358.7 million in the previous year.

In further detail, bad debt positions, net of adjustments, stood at €158.9 million, compared to €122.0 million in the previous year, representing an increase of 30.2% and accounting for 5.1% of the total loan portfolio, with a coverage ratio of 58.0%.

Other doubtful positions stood at €203.4 million, down by 14.0% from €236.7 million at the end of 2012, accounting for 6.5% of the overall loan portfolio. Of this amount, €148.2 million (compared to €143.0 million at the end of December 2012) consisted of substandard positions, €11.2 million (compared to €47.8 million at the end of December 2012) of restructured positions and €44.2 million (compared to €45.9 million at the end of 2012) of past-due positions. The overall coverage ratio for non-performing positions came to 44.7%.

Interbank market activities

At 31 December 2013, the Bank's fund-raising and lending activity on the interbank market stood at a net debtor position of €827.1 million (compared to a net debtor position of €561.5 million at 31 December 2012).

Interbank position	31/12/2013	31/12/2012	VAR	VAR %
Cash and cash equivalents	20.021	25.501	(5.481)	-21,5%
Loans to banks	163.750	383.227	(219.478)	-57,3%
Due to banks	(1.010.863)	(970.236)	(40.626)	4,2%
NET INTERBANK POSITION	**(827.092)**	**(561.508)**	**(265.584)**	**47,3%**

Finance

Management of the Group's liquidity and proprietary securities portfolio is entrusted to the Finance Service, which follows guidelines laid down by the Assets and Liabilities Committee (ALCO).

According to the ALCO's directives, the Bank's proprietary securities portfolios are managed in close coordination with local funding and lending trends. The ALCO's periodic reports on the securities portfolio and liquidity, which are normally provided on a monthly basis, or whenever circumstances arise that may have a significant impact on the strategies in place, ensure that the performance, risk profile, risks and development guidelines for financial asset and liability management are constantly monitored.

Financial assets/liabilities held for trading

At year-end, the portfolio of securities held for trading amounted to €2.5 million, compared to €9.1 million at the end of the previous year, and consisted largely of bonds issued by banks and trading derivatives of €0.9 million. The above portfolio thus presented a moderate risk profile compared to market risk factors (interest-rate, price and currency risks) and the risk of default by the issuers, as expressed by the ratings assigned by leading international agencies.

Financial assets/ liabilities held for trading	31/12/2012	31/12/2011	%
Debt securities	2.624	9.020	-70,9%
Equity securities and UCIs	18	1	1653,0%
Total assets	2.642	9.021	-70,7%
Financial deriatives	871	2.177	-60,0%
Financial assets held for trading	3.512	11.198	-68,6%
financial liabilities held for trading	965	2.073	-53,4%
Net financial assets/liabilities held for trading	**2.547**	**9.125**	**-72,1%**

Financial assets available for sale

Financial assets available for sale amounted to €1,472.1 million, compared to €1,393.4 million in December 2012. Breaking down the total at 31 December 2012, €1,396.7 million consisted of debt securities (primarily government bonds of €1,374 million and bank bonds of €22.7 million) and €16.6 million of interests in CIUs, whereas the remainder was represented by equity investments that do not entail control, joint control or a significant interest.

Financial assets held to maturity

Financial assets held to maturity came to €105.4 million and consisted of securities issued by governments and banks.

Exposure to sovereign credit risk

Following the growing interest by the market in exposures held by companies in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in document no. 2011/226, the following is a breakdown of exposures of this nature held by the Banca di Cividale Group at 31 December 2013. As indicated in the ESMA document, “sovereign debt” is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

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

Exposure to sovereign debt - book value	Italy	France
Financial assets available for trading		
- Debt securities	-	-
Financial assets available for sale		
- Debt securities	1.365.587	500
Financial assets held to maturity		
- Debt securities	88.921	-
Total	**1.454.507**	**500**

Liquidity and the proprietary securities portfolio

Financial markets were also characterised by severe uncertainty in 2013: such uncertainty related to doubts about global growth, the behaviour of central banks and the exit strategy from unconventional monetary policies. These factors had effects not only on the G7 economies, but also affected emerging countries to a particular degree. Yields on Italian government bonds showed considerable volatility during the first half of the year due to the political elections at the end of February and the actions by the U.S. Federal Reserve, which planned a reduction of support for the economy. The consolidation of the Italian political situation and the supporting measures by the ECB in the second half of the year contributed to reducing tensions on money and bond markets, restoring interest in Italian government securities, including amongst foreign investors, while also permitting a reduction in the yields on such securities.

Within this scenario, the Banca Popolare di Cividale Group maintained and expanded its measures aimed at enhancing its liquidity reserves. Use continued to be made of the loan-term financing provided by the EIB, through the execution of a new agreement with an initial ceiling of €30 million, intended for financing for SMEs. The Group met with significant positive feedback from the retail channel, through which it was able to access a significant share of funding for both short- and medium-term maturities.

In managing the Group’s securities portfolio, the main strategic drivers identified by the ALCo were expanding the amount of investments in ECB-eligible securities and limiting equities and other financial instruments that do not meet eligibility requirements.

In 2013, the proprietary securities portfolio did not serve as a “liquidity reserve,” but it did contribute significantly to both net interest income and operating revenues. Available-for-sale (AFS) financial assets came to €1,472 million at year-end and primarily consist of Italian government bonds with limited durations, and, to a residual extent, bank bonds and equities. Held-to-maturity (HTM) investments stood at €105 million and primarily consist of short-term Italian government bonds and, to a residual extent, bank bonds. The bonds in the loans and receivables (L&R) portfolio consist solely of bank bonds, most of which are set to mature by 2015. Assets classified as held for trading (HFT) represent a very marginal portion of the total portfolio.
In completion of the figures presented in the financial statements and the tables in the notes, it should be noted that the pool of securities available for use as liquidity reserves also includes €427 million associated with the senior tranche of the Civitas and Quadrivio notes issued as part of the securitisation transactions held entirely by the originator, along with the respective junior notes.

Financial assets held for trading

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
A. Cash assets							
1. Debt securities	1	2.623	-	21	8.999	-	-70,9%
1.1 structured securities	-	-	-	-	-	-	-
1.2 other debt securities	1	2.623	-	21	8.999	-	-70,9%
2. Equities	18	-	-	0	1	-	950,8%
3. Quotas of UCI	-	-	-	-	-	-	0,0%
4. Loans	-	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-
Total A	**18**	**2.623**	**-**	**21**	**9.000**	**-**	**-70,7%**
B. Derivatives							
1. Financial derivatives	-	871	-	-	2.177	-	-60,0%
1.1 trading	-	871	-	-	2.177	-	-60,0%
1.2 fair value option	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total	**-**	**871**	**-**	**-**	**2.177**	**-**	**-60,0%**
TOTAL (A+B)	**18**	**3.494**	**-**	**21**	**11.177**	**-**	**-68,6%**

Financial assets available for sale

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	1.376.433	20.250	-	1.295.598	20.815	-	6,1%
1.1 Structured securities	-	-	-	-	-	-	-
1.2 Other debt securities	1.376.433	20.250	-	1.295.598	20.815	-	6,1%
2. Equities	254	-	58.627	-	-	65.651	-10,3%
2.1 Measured at fair value	254	-	58.627	-	-	65.606	-10,3%
2.2 Measured at cost	-	-	-	-	-	45	-100,0%
3. Units in collective investment undertakings	27	-	16.541	18	6.240	5.042	46,6%
4. Loans	-	-	-	-	-	-	-
TOTAL	**1.376.714**	**20.250**	**75.167**	**1.295.617**	**27.055**	**70.693**	**5,7%**

Provisions for risks

Other provisions for risks and charges are accrued to account for current obligations resulting from past events that are considered likely to require an outlay of economic resources in order to discharge the obligation. For a detailed examination of the changes during the year, refer to the specific paragraph of the notes.

Consolidated shareholders' equity attributable to the Group and capital adequacy

At year-end, consolidated shareholders' equity, including the net loss for the year, came to €261.3 million.

Regulatory capital – a breakdown of which is provided in Chapter F of the notes to the financial statements, along with additional information on capital – came to €268.4 million as at 31 December 2013.

The Bank held sufficient regulatory capital to comply with capital requirements under applicable regulations by a wide margin. The total capital ratio was enough to ensure full capital adequacy. Risk-weighted assets amounted to €2,602 million; the associated total capital ratio (the ratio of regulatory capital to risk-weighted assets) was 10.3% compared to the 8% minimum required under applicable regulations for banks that belong to a banking group.

The foregoing demonstrates that over the years the Bank has succeeded in maintaining an appropriate balance between its own resources and the significant levels of operational and volume growth that it has achieved. Sufficient capital reserves allow the Bank to pursue its mission in full and appropriately support its plans for growth, while at the same time preserving the necessary safety margins. Even in the current circumstances, the Bank has no desire to cease supporting its traditional partners: households and small and medium enterprises. The Bank's capital plays a key role in its ability to fulfil its function as a cooperative bank, and therefore to provide appropriate support to economic players in the communities it serves.

	31/12/2013	31/12/2012	%
1. Share capital	51.068	50.783	0,6%
2. Share premiums	198.570	196.529	1,0%
3. Reserves	38.920	63.752	-39,0%
4. (Treasury shares)	(7)	(9.740)	99,9%
5. Valuation reserves	8.552	28.730	-70,2%
6. Capital instruments	-	-	-
7. Net income (loss) for the period pertaining to the Group	(35.793)	9.553	-474,7%
Total	**261.309**	**317.748**	**-17,8%**

The following table provides a reconciliation between the shareholders' equity and net income of the Parent Company, as reported in the separate financial statements as at the end of 2013, and the corresponding figures in the consolidated financial statements as at the same date:

	31/12/2013		31/12/2012	
	Shareholder's equity	of which: net income of period	Shareholder's equity	of which: net income of period
Balance in Parent company financial statements	**267.177**	**(33.850)**	**309.771**	**14.172**
Pro rata results of equity investments	-	-	-	-
- line item consolidation	(4.531)	(4.531)	(7.624)	(7.624)
- accounted for using equity method	(55)	(55)	300	300
Amortization of goodwill	-	-	-	-
Differences with consolidated on line-item basis	-	-	-	-
- companies consolidated on line-item basis	3.508	3.037	40.054	3.912
- companies accounted for using equity method	1.108	-	807	-
Dividends received in the period	-	-	-	-
- previous years	-	-	-	(342)
Consolidation adjustments	-	-	-	-
- elimination of intercomany profits and losses	(5.899)	(394)	(3.702)	(865)
Balance in consolidated financial statements	**261.308**	**(35.793)**	**339.606**	**9.553**

Consolidated earnings results

The following reclassified income statement is provided to facilitate understanding of performance and comparisons with the previous year.

INCOME STATEMENT DATA	31/12/2013	31/12/2012	Var %
Net interest income (including result of hedging)	82.406	85.809	-4,0%
Net commissions	22.287	23.523	-5,3%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.278	1.912	-33,1%
Net trading income	423	3.332	-87,3%
Gains (losses) from purchase/sale of loans and financial assets	50.633	8.878	470,3%
Other operating income (expenses) (4)	736	2.770	-73,4%
Operating income	**157.762**	**126.224**	**25,0%**
Personnel expenses	(41.308)	(40.727)	1,4%
Other administrative expenses (2)	(26.843)	(27.727)	-3,2%
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(1.374)	(1.587)	-13,4%
Operating cost	**(69.525)**	**(70.041)**	**-0,7%**
Income (loss) from operating	**88.237**	**56.183**	**57,1%**
Charges/write-backs on impairment of loans and other assets	(128.150)	(41.332)	210,0%
Goodwill impairment	(1.051)	-	100,0%
Net provisions for risks and charges	(2.410)	(858)	180,9%
Profit (loss) on equity investments	-	356	100,0%
Income (loss) before tax from continuing operations	**(43.375)**	**14.348**	**-402,3%**
Tax on income from continuing operations	7.581	(8.021)	-194,5%
Income (loss) after tax from continuing operations	**(35.793)**	**6.327**	**-665,7%**
Minority interest	-	3.226	-100,0%
Net income for the period attributable to the parent company	**(35.793)**	**9.553**	**-474,7%**

Net interest income amounted to €82.4 million, down by 4.0% from €85.8 million in 2012. The change was due, among other factors, to the lesser contribution of the loans to customers component due to the effect of the reduction of interest rates on loans, only partially offset by a decrease in the cost of funding.

Net commission income came to €22.3 million, down by 5.3% compared to the previous period. Collection and payment commissions performed positively, whereas there was a decline in the components relating to management, intermediation and advisory activities.

There was a significant increase in **net income on the trading, purchase and sale of AFS assets**, which came to €51.1 million compared to €12.2 million in 2012.

Overall, **net operating revenues** amounted to €157.8 million, an improvement of 25.0% compared to €126.2 million in the comparative period.

Operating expenses came to €69.5 million, down compared to the previous period. In further detail, personnel expenses stood at €41.3 million; other administrative expenses fell from €27.7 million to €26.8 million, a decline of 3.2% compared to December 2012. Net adjustments to property, plant and equipment and intangible assets came to €1.4 million, down by 13.4% compared to the previous year.

Accordingly, **net operating income** amounted to €88.2 million.

Net impairment losses on loans and other financial assets came to €128.2 million. Of this sum, €9.6 million consisted of impairment losses on equities and shares of CIUs classified to the AFS portfolio. Impairment losses on loans of €118.9 million thus yield a cost of credit, expressed as a percentage of total loans to customers, of 380 basis points. Impairment losses on goodwill and equity investments of €1.0 million refer solely to the impairment of interests in associated companies. Accruals to provisions include €0.1 million attributable to the estimate of bankruptcy claw-back risks, €1.7 million to civil litigation and customer complaints and €0.5 million to the measures required by the Interbank Deposit Protection Fund.

The tax position for the period came to an estimated positive balance of €7.6 million, due in part to the recognition of deferred tax assets associated with loan losses.

The **net loss** for the period amounted to €35.8 million.

Statement of cash flows

Performance of main items of the consolidated statement of cash flows

a) Financial assets held for trading (+€7.7 million); the change was largely due to the realisation of debt securities held in the trading portfolio;
b) Financial assets available for sale (-€78.8 million); the change was due to the inclusion in the portfolio of debt securities.
c) Loans to customers (-€87.1 million); the change was primarily the result of the decrease in mortgages disbursed to customers;
d) Due from banks on demand (-€163.0 million); the change was primarily due to the increase in demand bank deposits;
e) Due from banks – other (+€382.7 million); the change was primarily the result of the decrease in time deposits and bonds classified to the portfolio;
f) Due to banks on demand (+€1,009.4 million); the change was primarily due to the increase in current accounts and demand deposits;
g) Due to banks – other amounts (-€980.5 million); the change was primarily due to the decrease in time deposits;
h) Due to customers (+€283.6 million); the change was due to repurchase agreements and the item current accounts and deposits;
i) Debt securities issued (-€377.6 million); the change was large due to decrease in the issuance of bonds.

Analysis of main balance-sheet aggregates and earnings results of the Parent Company

In order to foster the comparability of figures between the years 2013 and 2012, the Bank exercised the option afforded by the Supervisory Instructions in cases of business combinations (such as mergers by absorption) of providing a consistent comparison of the financial statement figures for reporting year 2013 and the previous year. Accordingly, in this report the comparative periods have been rendered consistent with the reporting scope for 2013. A statement of reconciliation of the reclassified 2012 financial statement figures and the normalised figures for 2012 is provided in an appendix.

BALANCE SHEET DATA	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Loans to customers	3.082.164	3.162.421	756.951	-2,5%
Financial assets and liabilities	1.580.075	1.503.664	1.443.959	5,1%
Investments in associates and companies subject to joint	36.718	37.806	204.555	-2,9%
Total assets	5.073.557	5.268.208	3.150.340	-3,7%
Direct funding	3.688.803	3.779.222	1.901.026	-2,4%
Indirect funding	874.087	926.512	-	-5,7%
- of wich: Assets under management	544.303	547.396	-	-0,6%
Total funding	4.562.890	4.705.733	1.901.026	-3,0%
Shareholders' equity	267.177	339.926	309.771	-21,4%

Reclassified balance sheet

ASSETS	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Cash and cash equivalents	20.020	25.501	-	-21,5%
Financial assets held for trading	3.512	11.198	4.761	-68,6%
Financial assets available for sale	1.472.115	1.393.347	1.338.051	5,7%
Financial assets held to maturity	105.413	104.107	104.107	1,3%
Due from banks	162.912	380.306	700.617	-57,2%
Loans to customers	3.082.164	3.162.421	756.951	-2,5%
Investments in associates and companies subject to joint	36.718	37.806	204.555	-2,9%
Property, plant and equipment and intangible assets (1)	91.748	84.068	29.954	9,1%
Other assets (2)	98.955	69.455	11.343	42,5%
Total assets	**5.073.557**	**5.268.208**	**3.150.340**	**-3,7%**

(1) The aggregate includes items "110. Property, plant and equipment" and "120. Intangible assets."
(2) The aggregate includes items "130. Tax assets" and "150. Other assets."

LIABILITIES	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Due to banks	997.922	966.863	910.448	3,2%
Direct funding from customers (1)	3.688.803	3.779.223	1.901.026	-2,4%
Financial liabilities held for trading	965	2.073	46	-53,5%
Hedging derivatives	-	2.915	2.915	-100,0%
Other liabilities	109.749	170.396	25.698	-35,6%
Specific provisions (2)	8.941	6.812	436	31,2%
Shareholders' equity (3)	267.177	339.926	309.771	-21,4%
Total liabilities	**5.073.557**	**5.268.208**	**3.150.340**	**-3,7%**

(1) The aggregate includes items "20. Amounts due to customers" and "30. Debt securities issued."
(2) The aggregate includes items "80. Tax liabilities," "110. Employee termination benefits" and "120. Provisions for risks and charges."
(3) The aggregate includes items "130. Valuation reserves," "150. Equity instruments," "160. Reserves," "170. Share premium, "180. Share capital," "190. Treasury shares" and "200. Net income / (loss)."

Reclassified income statement

INCOME STATEMENT DATA	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Net interest income (including result of hedging)	77.711	81.952	23.239	-5,2%
Net commissions	21.956	23.553	(2.214)	-6,8%
Dividends and net income (loss) of equity investments accounted for using equity	1.333	1.955	1.817	-31,8%
Net trading income	423	3.332	3.114	-87,3%
Gains (losses) from purchase/sale of loans and financial assets	50.861	8.501	7.805	498,3%
Other operating income (expenses) (4)	995	2.593	(35)	-61,6%
Operating income	**153.279**	**121.886**	**33.726**	**25,8%**
Personnel expenses	(40.189)	(39.786)	(3.405)	1,0%
Other administrative expenses (2)	(25.809)	(26.700)	(2.458)	-3,3%
Net impairment/write backs on property, plant and equipment and intangible asset	(1.289)	(1.506)	(220)	-14,4%
Operating cost	**(67.287)**	**(67.992)**	**(6.083)**	**-1,0%**
Income (loss) from operating	**85.992**	**53.894**	**27.643**	**59,6%**
Charges/write-backs on impairment of loans and other assets	(120.210)	(38.644)	(1.570)	211,1%
Charges/write-backs on impairment of goodwill and investments in associates	(4.088)	(3.625)	(3.625)	12,8%
Net provisions for risks and charges	(2.380)	(858)	-	177,4%
Income (loss) before tax from continuing operations	**(40.685)**	**10.767**	**22.449**	**-477,9%**
Tax on income from continuing operations	6.835	(7.770)	(8.277)	-188,0%
Net income for the period	**(33.850)**	**2.997**	**14.172**	**-1229,4%**

(1) Profits of equity investments measured at equity include the profits/losses of equity investments measured according to the equity method included in item "210. Profit (loss) of equity investments."

(2) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "190. Other operating income/expenses."

(3) Net adjustments to property, plant and equipment and intangible assets include items "170. Charges/write-backs on impairment of property, plant and equipment" and "180. Charges/write-backs on impairment of intangible assets."

(4) Other income and expenses correspond to "190. Other operating income/expenses" net of the reclassifications presented above.

BALANCE SHEET RATIOS	31/12/2013	31/12/2012 N	31/12/2012
Indirect funding from customers / Total funding	19,16%	19,69%	0,00%
Assets under management / Indirect funding from customers	62,27%	59,08%	0,00%
Direct funding from customers / Total liabilities	72,71%	71,74%	60,34%
Loans to customers / Direct funding from customers	83,55%	83,68%	39,82%
Loans to customers / Total assets	60,75%	60,03%	24,03%

CREDIT RISK INDICATORS (thousands of euros)	31/12/2013	31/12/2012 Normalised	31/12/2012
Net non-performing loans	144.673	111.478	6.293
Other net impaired loans	152.474	181.394	10.336
Net non-performing loans / Loans to customers	4,69%	3,53%	0,83%
Other net impaired loans / Loans to customers	4,95%	5,74%	1,37%
Total net impaired loans / Loans to customers	9,64%	9,26%	2,20%
Non performing loans hedging	59,63%	55,66%	30,86%
Other impaired loans hedging	29,65%	14,73%	7,11%
Cost of credit	3,60%	1,22%	0,21%

Operating structure	31/12/2013	31/12/2012 Normalised	31/12/2012
N° of employees	581	582	107
Branches	74	73	-

OTHER ECONOMIC INFORMATION	31/12/2013	31/12/2012 Normalised	31/12/2012
Operating cost / Operating income (cost income ratio)	43,9%	55,8%	18,0%

SOLVENCY RATIOS	31/12/2013	31/12/2012 Normalised	31/12/2012
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	13,29%	10,89%	55,21%
Total capital / Risk weighted assets (Total capital ratio)	16,31%	12,98%	55,21%

Analysis of main balance-sheet aggregates and earnings results of the Parent Company

In order to provide a more effective presentation of earnings results, in the reclassified balance sheet and income statement certain reclassifications have been applied with respect to the accounting schedules, the details of which are presented in the attachments to the financial statements, appended following the notes.

As specified in the introduction to the report, the comparative period has been rendered consistent with the reporting scope for 2013.

Reclassified balance sheet

ASSETS	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Cash and cash equivalents	20.020	25.501	-	-21,5%
Financial assets held for trading	3.512	11.198	4.761	-68,6%
Financial assets available for sale	1.472.115	1.393.347	1.338.051	5,7%
Financial assets held to maturity	105.413	104.107	104.107	1,3%
Due from banks	162.912	380.306	700.617	-57,2%
Loans to customers	3.082.164	3.162.421	756.951	-2,5%
Investments in associates and companies subject to joint	36.718	37.806	204.555	-2,9%
Property, plant and equipment and intangible assets (1)	91.748	84.068	29.954	9,1%
Other assets (2)	98.955	69.455	11.343	42,5%
Total assets	**5.073.557**	**5.268.208**	**3.150.340**	**-3,7%**

(1) The aggregate includes items “110. Property, plant and equipment” and “120. Intangible assets.”
(2) The aggregate includes items “130. Tax assets” and “150. Other assets.”

LIABILITIES	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Due to banks	997.922	966.863	910.448	3,2%
Direct funding from customers (1)	3.688.803	3.779.223	1.901.026	-2,4%
Financial liabilities held for trading	965	2.073	46	-53,5%
Hedging derivatives	-	2.915	2.915	-100,0%
Other liabilities	109.749	170.396	25.698	-35,6%
Specific provisions (2)	8.941	6.812	436	31,2%
Shareholders' equity (3)	267.177	339.926	309.771	-21,4%
Total liabilities	**5.073.557**	**5.268.208**	**3.150.340**	**-3,7%**

(1) The aggregate includes items “20. Amounts due to customers” and “30. Debt securities issued.”
(2) The aggregate includes items “110. Employee termination benefits” and “120. Provisions for risks and charges.”
(3) The aggregate includes items “130. Valuation reserves,” “150. Equity instruments,” “160. Reserves,” “170. Share premium, “180. Share capital,” “190. Treasury shares” and “200. Net income / (loss).”

Banking business with customers

Funding

The direct funding of Banca Popolare di Cividale S.c.p.A. is represented by item 30 on the liabilities side, “Debt securities issued,” i.e. the bonds issued and placed on the market.

At 31 December 2013, total funding came to €3,689 million and consisted primarily of deposits and current accounts of €1,660 million. The component relating to repurchase agreements with Cassa Compensazione e Garanzia came to €1,257 million. The total aggregate also includes bonds in issue of €650 million and certificates of deposit of €79 million.

	31/12/2013	31/12/2012 Normalised	31/12/2012	Var on Normalised	Var % on Normalised
Direct funding	**3.688.803**	**3.779.222**	**1.901.026**	**(90.418)**	**-2,4%**
Due to customers	2.958.519	2.672.087	1.186.802	286.432	10,7%
Debt securities issued	730.284	1.107.135	714.224	(376.851)	-34,0%
Indirect funding:	**874.087**	**926.512**	**-**	**(52.425)**	**-5,7%**
Assets under administration	329.784	379.115	-	(49.331)	-13,0%
Assets under management	544.303	547.396	-	(3.094)	-0,6%
Total funding	**4.562.890**	**4.705.733**	**1.901.026**	**(142.843)**	**-3,0%**

Lending

Loans to customers stood at €3,082 million at 31 December 2013 (-2.5% compared to 2012). The decline is consistent with the performance of the banking industry at large and was shaped by the persistent weakness of demand, especially that for investments by companies, as well as by restrictive factors on the supply side associated with the contingent deterioration of credit risk. Nonetheless, despite the stringent operating conditions, the Group continued to provide credit in support of the local real economy, disbursing approximately €109 million to households and over €172 million to SMEs.

Loans to customers - breakdown

	Total (carrying amount)			Fair value			Total (carrying amount)			Fair value	%
	Performing	Non - performing		L1	L2	L3	Performing	Non - performing		FV	
		Purchased	Other					Purchased	Other		
1. Current accounts	429.620	-	80.288	X	X	X	509.734	-	83.934	X	100,0%
2. Repurchase agreements	102.916	-	-	X	X	X	15.999	-	-	X	543,2%
3. Mortgage loans	1.890.322	-	200.662	X	X	X	1.984.871	-	193.210	X	-4,0%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	45.259	-	1.704	X	X	X	41.330	-	1.351	X	100,0%
5. Finance leases	-	-	-	X	X	X	-	-	-	X	-
6. Factoring	-	-	-	X	X	X	-	-	-	X	-
7. Other	316.900	-	14.493	X	X	X	317.613	-	14.378	X	-0,2%
Debt securities	-	-	-	X	X	X	-	-	-	X	-
8. structured	-	-	-	X	X	X	-	-	-	X	-
9 other debt securities	-	-	-	X	X	X	-	-	-	X	-
Total	**2.785.017**	**-**	**297.147**	**-**	**-**	**3.142.834**	**2.869.548**	**-**	**292.873**	**3.189.446**	**-2,54%**

The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Quality of customer loans - breakdown

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure 2012	Hedging 2012
A. ON-BALANCE-SHEET EXPOSURES							
A.1 Bank Group							
a) Bad debts	358.329	213.655	-	144.673	59,63%	111.478	51,65%
b) Substandard loans	176.713	56.479	-	120.234	31,96%	115.303	17,79%
c) Restructured positions	13.545	2.380	-	11.165	17,57%	38.588	0,94%
d) Past due positions	26.486	5.411	-	21.075	20,43%	27.503	5,43%
e) Other assets	2.802.007	X	16.990	2.785.017	0,61%	2.869.549	0,44%
TOTAL A.1	**3.377.080**	**277.926**	**16.990**	**3.082.164**	**8,73%**	**3.162.421**	**4,62%**

Credit quality was affected by the ongoing recession. At the end of the period, non-performing positions, net of impairment losses, came to €297,147 thousand, compared to €292,872 thousand at the end of 2012. In further detail, bad debt positions, net of impairment losses, stood at €144,673 thousand, compared to €111,478 thousand at the end of December 2012, accounting for 4.7% of the total loan portfolio, with a coverage ratio of 59.6%. Other doubtful positions totalled €152,474 thousand, down by 15.9% from €181,394 thousand at the end of 2012, accounting for 4.9% of the overall loan portfolio. Of this amount, €120,234 thousand (compared to €115,303 thousand at the end of December 2012) consisted of substandard positions, €11,165 thousand (compared to €38,588 thousand at the end of December 2012) of restructured positions and €21,075 thousand (compared to €27,503 thousand at the end of 2012) of past-due positions. The overall coverage ratio for non-performing positions came to 48.3%.

Exposure to sovereign credit risk

Following the growing interest by the market in exposures held by companies in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in document no. 2011/226, the following is a breakdown of exposures of this nature held by the Bank at 31 December 2013. As indicated in the ESMA document, “sovereign debt” is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

The following tables present the Group's exposure to sovereign credit risk by carrying amount, broken down by type of instrument. Banca Popolare di Cividale did not have exposures to Greece, Ireland or Portugal at the reporting date.

Exposure to sovereign debt - book value	Italy	France
Financial assets available for trading		
- Debt securities	-	-
Financial assets available for sale		
- Debt securities	1.365.587	500
Financial assets held to maturity		
- Debt securities	88.921	-
Total	**1.454.507**	**500**

The reclassified income statement

In the interest of a clearer presentation of earnings results and a proper comparison with the previous year, in the reclassified income statement certain items have been reclassified and aggregated with respect to the income statement presented among the accounting schedules, the details of which are set forth in the attachments to the financial statements, appended following the notes.

INCOME STATEMENT DATA	31/12/2013	31/12/2012 Normalised	31/12/2012	Var % on Normalised
Net interest income (including result of hedging)	77.711	81.952	23.239	-5,2%
Net commissions	21.956	23.553	(2.214)	-6,8%
Dividends and net income (loss) of equity investments accounted for using equity	1.333	1.955	1.817	-31,8%
Net trading income	423	3.332	3.114	-87,3%
Gains (losses) from purchase/sale of loans and financial assets	50.861	8.501	7.805	498,3%
Other operating income (expenses) (4)	995	2.593	(35)	-61,6%
Operating income	**153.279**	**121.886**	**33.726**	**25,8%**
Personnel expenses	(40.189)	(39.786)	(3.405)	1,0%
Other administrative expenses (2)	(25.809)	(26.700)	(2.458)	-3,3%
Net impairment/w rite backs on property, plant and equipment and intangible asset:	(1.289)	(1.506)	(220)	-14,4%
Operating cost	**(67.287)**	**(67.992)**	**(6.083)**	**-1,0%**
Income (loss) from operating	**85.992**	**53.894**	**27.643**	**59,6%**
Charges/w rite-backs on impairment of loans and other assets	(120.210)	(38.644)	(1.570)	211,1%
Charges/w rite-backs on impairment of goodw ill and investments in associates	(4.088)	(3.625)	(3.625)	12,8%
Net provisions for risks and charges	(2.380)	(858)	-	177,4%
Income (loss) before tax from continuing operations	**(40.685)**	**10.767**	**22.449**	**-477,9%**
Tax on income from continuing operations	6.835	(7.770)	(8.277)	-188,0%
Net income for the period	**(33.850)**	**2.997**	**14.172**	**-1229,4%**

(1) Profits of equity investments measured at equity include the profits/losses of equity investments measured according to the equity method included in item "210. Profit (loss) of equity investments."
(2) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "190. Other operating income/expenses" (€539 thousand in 2012 and €560 thousand in 2011).
(3) Net adjustments to property, plant and equipment and intangible assets include items "170. Charges/write-backs on impairment of property, plant and equipment" and "180. Charges/write-backs on impairment of intangible assets."
(4) Other income and expenses correspond to "190. Other operating income/expenses" net of the reclassifications presented above.

Net interest income amounted to €77,711 thousand, down by 5.2% from €81,952 thousand in 2012. The change was due, among other factors, to the lesser contribution of the loans to customers component due to the effect of the reduction of interest rates on loans, only partially offset by a decrease in the cost of funding.

Net commission income came to €21,956 thousand, down by 6.8% compared to the previous period. Collection and payment commissions performed positively, whereas there was a decline in the components relating to management, intermediation and advisory activities.

There was a significant increase in **net income on the trading, purchase and sale of AFS assets**, which came to €51,284 thousand compared to €11,833 thousand in the comparative period.

Overall, **net operating revenues** amounted to €153,279 thousand, an improvement of 25.8% compared to €121,886 thousand in the comparative period.

Operating expenses came to €67,287 thousand, down by 1.0% compared to the previous period. In further detail, personnel expenses stood at €40,189 thousand; other administrative expenses fell from €26,700 thousand to €25,809 thousand, a decline of 3.3% compared to December 2012. Net adjustments to property, plant and equipment and intangible assets came to €1,289 thousand, down by 14.4% compared to the previous year.

Accordingly, **net operating income** amounted to €85,992 thousand.

Net impairment losses on loans and other financial assets came to €120,210 thousand. Of this sum, €9,281 thousand consisted of impairment losses on equities and funds classified to the AFS portfolio. Impairment losses on loans of €110,971 thousand thus yield a cost of credit, expressed as a percentage of total loans to customers, of 360 basis points. Impairment losses on goodwill and equity investments of €4,088 thousand refer solely to the impairment of interests in associated companies. Accruals to provisions include €150 thousand attributable to the estimate of bankruptcy claw-back risks, €1,701 thousand to civil litigation and customer complaints and €529 thousand to the measures required by the Interbank Deposit Protection Fund. **The loss before tax from continuing operations** stood at €40,685 thousand.

The tax position for the period came to an estimated positive balance of €6,835 thousand, due in part to the recognition of deferred tax assets associated with loan losses.

The **net loss** for the period amounted to €33,850 thousand.

Shareholders' equity and capital adequacy
At year-end, shareholders' equity, including the net loss for the year, came to €267.2 million.
Regulatory capital – a breakdown of which is provided in Chapter F of the notes to the financial statements, along with additional information on capital – came to €276.1 million as at 31 December 2013.
The level of regulatory capital ensures compliance with capital requirements under applicable regulations by a wide margin. Risk-weighted assets came to €1,693.1 million. The core capital ratio was 13.29% and the total capital ratio 16.31%.

Statement of cash flows
Performance of main items of the statement of cash flows

- Loans to customers (-€33,276 thousand); the change was primarily the result of the decrease in mortgages disbursed to customers;
- Due from banks on demand (+€624 thousand); the change was primarily due to interbank deposits;
- Due from banks – other (+€216,964 thousand); the difference was chiefly the result of the bonds held in portfolio and repurchase agreements;
- Due to customers (+€282,459 thousand); the change was due to repurchase agreements and the item current accounts and deposits;
- Due to banks on demand (-€1,373 thousand); the change was primarily due to the decrease in interbank current accounts;
- Due to banks – other (+€20,747 thousand); the change was primarily due to the increase in interbank deposits;
- Debt securities issued (-€377,650 thousand); the change was large due to decrease in the issuance of bonds.

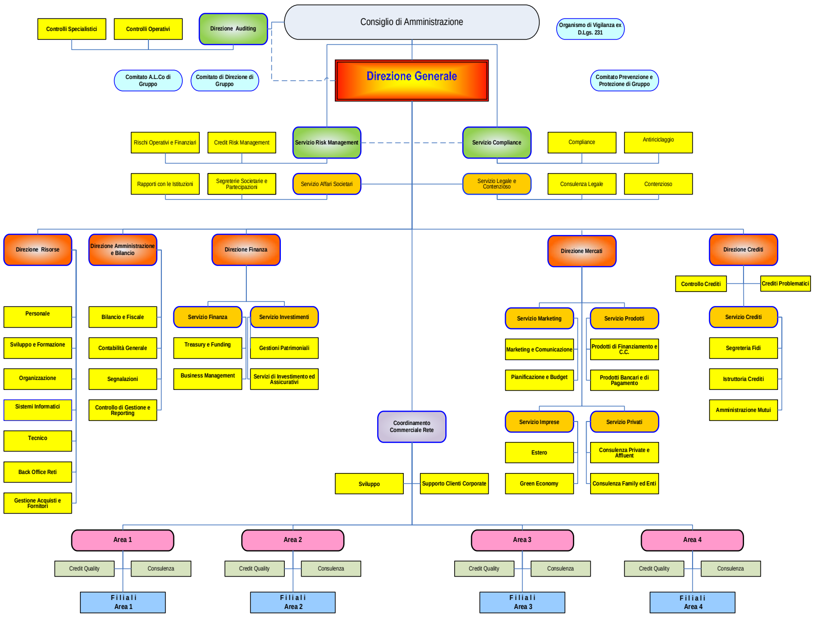
Organisational structure

In 2013, the Group undertook a restructuring project that resulted in the merger of Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. The merger is part of the project aimed at revising the Group's business plan approved by the Parent Company's Board of Directors on 8 March 2013.

In accordance with the Group's corporate and organisational model, the organisational structure of the Parent Company has been devised so as to allow it to fulfil its primary functions of planning, strategic guidance and coordination for Group companies while also providing those companies with important services, thereby pursuing significant economies of scale at the Group level and permitting subsidiaries to focus their resources on their core businesses.
The current configuration of the Parent Company may be broken down as follows:

- senior management and support staff offices;
- Group committees that ensure the proper level of communication and discussion of guidelines regarding fundamental issues allow for the sharing of information of common interest and play an advisory and informational role in decisions of an operational nature; and
- technical and specialist departments and services, which support the senior management, Group companies and, where applicable, corporate bodies.

Organisational structure



Human resources

The Parent Company's headcount came to 581 at 31 December 2013. Following the mergers finalised during the year, the 439 employees of Banca di Cividale S.p.A. and 30 employees of Nordest Banca were retained in the employ of Banca Popolare di Cividale S.c.p.A. without suspension of their contracts.

Financial highlights of the main Banca Popolare di Cividale Group companies

Civileasing S.p.A.

Civileasing S.p.A. ended 2013 with a net loss of €1,590 thousand. During the year, 390 contracts with a value of €31 million were executed, down by 40.8% compared to the previous year (€52.5 million), primarily due to the decline in demand for capital equipment by companies. On the other hand, there was a considerable increase in the number of contracts (390 compared to 124 in 2012, +214%), and the average amount thus fell from €423,000 in 2012 to €79,500.

Total lending – implicit and explicit credit to customers – was €319.8 million at 31 December 2013, marking a decrease of 5.4% on the previous year.

(in euro)

ASSETS	31/12/2013	31/12/2012	Var %
Cash and cash equivalents	92	5	0,0%
Financial assets available for sale	17.525	17.525	0,0%
Due from banks	1.455.893	2.921.625	-50,2%
Loans to customers	319.823.494	338.176.915	-5,4%
Property plant and equipment and intangible assets (1)	4.119.209	47.870	8505,0%
Other assets (2)	7.101.048	8.025.349	-11,5%
Total assets	**332.517.261**	**349.189.289**	**-4,8%**

(1) The aggregate includes items "100. Property, plant and equipment" and "110. Intangible assets."
(2) The aggregate includes items "120. Tax assets" and "140. Other assets."

LIABILITIES	31/12/2013	31/12/2012	Var %
Due to banks	294.549.863	306.423.754	-3,9%
Direct funding from customers	2.412.258	5.194.962	-53,6%
Other liabilities	6.407.328	6.867.056	-6,7%
Specific provisions (2)	153.711	120.251	27,8%
Shareholders' equity	28.994.101	30.583.266	-5,2%
Total liabilities	**332.517.261**	**349.189.289**	**-4,8%**

(2) The aggregate includes items "100. Employee termination benefits" and "110. Provisions for risks and charges."
(3) The aggregate includes items "120. Capital," "150. Share premium," "160. Reserves," and "180. Net income / (loss)."

INCOME STATEMENT DATA	31/12/2013	31/12/2012	Var %
Net interest income (including result of hedging)	5.855.825	4.654.249	25,8%
Net commissions	(249.084)	(345.163)	-27,8%
Dividends and net income (loss) of equity investments accounted for	-	-	0,0%
Net trading income			0,0%
Gains (losses) from purchase/sale of loans and financial assets	(228.807)	376.408	-160,8%
Other operating income (3)	449.823	252.552	78,1%
Operating income	**5.827.757**	**4.938.046**	18,0%
Personnel expenses	(1.082.097)	(902.782)	19,9%
Other administrative expenses (1)	(1.034.606)	(1.213.513)	-14,7%
Net impairment/write backs on property, plant and equipment and intangible assets (2)	(85.196)	(81.335)	4,7%
Operating cost	**(2.201.899)**	**(2.197.630)**	0,2%
Income (loss) from operating	**3.625.858**	**2.740.416**	32,3%
Charges/write-backs on impairment of loans and other assets	(5.770.105)	(2.688.421)	114,6%
Net provisions for risks and charges	(30.000)	-	-
Profit (loss) on equity investments	-	356.016	-100,0%
Income (loss) before tax from continuing operations	**(2.174.247)**	408.011	-632,9%
Tax on income from continuing operations	584.247	(347.006)	-268,4%
Net income for the period	**(1.590.000)**	**61.005**	**-2706,3%**

Tabogan S.r.l.

The primary purpose of the company, which is 100% owned by the Parent Company, is to redevelop a disused industrial area located in the municipality of Cividale del Friuli (the former Italcementi site). The main earnings and financial-position figures are presented below:

(in euro)

	Balance sheet - Assets	30/11/2013	30/12/2012	%
B	Fixed assets			
	Tangible fixed assets	955.534	5.424.439	-82,4%
C	Current assets			
	Inventories	14.085.884	10.292.206	36,9%
	Trade receivables	4.913.578	2.821.627	74,1%
	Cash and cash equivalents	935	637	46,8%
E	Accrued and rediscount			
	- Accrued	21.479	12.841	67,3%
		-	-	
	TOTAL ASSETS	**19.977.410**	**18.551.750**	**7,7%**

	Liabilities and shareholders' equity	30/11/2013	30/12/2012	%
A	Shareholders' equity			
	Share capital	110.000	110.000	0,0%
	Share premium reserve	22.000	22.000	0,0%
	Other reserves	3.032.023	13.850	21791,9%
	Income for the period	(2.941.003)	18.173	-16283,4%
D	Provisions for risk and charges		-	-
C	Employee termination benefits	-	3.522	-100,0%
D	Payables	19.556.280	18.230.761	7,3%
E	Accrued expenses and deferred income	198.110	153.444	29,1%
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19.977.410**	**18.551.750**	**7,7%**

	Income statement	30/11/2013	30/12/2012	%
A	**Value of production**			
	Revenues from sales and services	506.830	340.725	48,8%
	Other revenues and income	3.293	341	865,7%
B	**Costs of production**			
	Raw materials	(698)	-	-
	use of third party assets	(8.982)	-	
	Related to services	(3.656.278)	(1.753.621)	108,5%
	For employees	(36.439)	(36.734)	-0,8%
	Change in inventory of raw materials, ancillaries, consumables a	3.801.818	2.182.944	74,2%
	Net provisions for risks and charges	(2.170.000)		
	Other operating expenses	(9.740)	(41.885)	-76,7%
	Operating margin (A-B)	**(1.570.196)**	**691.770**	**-327,0%**
C	Financial income and expenses	-	-	-
	financial expenses	(1.145.678)	(817.328)	40,2%
E	Extraordinary income and charges	(200.000)	199.944	-200,0%
	Income (loss) before tax	**(2.915.874)**	**74.386**	**-4019,9%**
	Tax on income	(25.129)	(56.213)	-55,3%
	Net income for the period	**(2.941.003)**	**18.173**	**-16283,4%**

Strategic management of the Group's equity investments

Istituto Centrale delle Banche Popolari Italiane S.p.A.
Istituto Centrale delle Banche Popolari Italiane (ICBPI) is the parent company of a banking group that supports the growth and consolidation of banks, financial institutions and insurers, businesses and government authorities.

ICBPI is a "systemic" bank specialised in national and international payment services and systems, securities services offered according to a business process outsourcing model and services for banks, businesses and government.

In recent years, the ICBPI Group has undertaken a number of extraordinary transactions that have significantly increased its size and complexity.

In the Group's new configuration, ICBPI acts as parent company, while also providing services in the following areas:

1) **Payment services**. ICBPI provides the following traditional services: collection and payment (funds transfers, collections, cheques, etc.); settlement; national interbank network application centre; and ACH (automated clearing house). For these services, ICBPI ensures compliance with the rules and criteria established by European regulations (PSD - Payment Services Directive and SEPA - Single Euro Payments Area).
2) **Banking, business and government services**. ICBPI provides e-banking, electronic invoicing and interbank corporate banking services. In this latter area, ICBPI supports the CBI Consortium's infrastructure in a temporary consortium.
3) **Securities services**. ICBPI provides all of the services in the investment process: order receipt, trading, placement, clearing, settlement and global custody. Important investments continue to be devoted to developing its custodian bank and fund administration businesses, fields in which ICBPI is Italy's only operator.
At 31 December 2013, in addition to the parent company, Istituto Centrale delle Banche Popolari Italiane S.p.A., the Group consisted of the following entities: CartaSi S.p.A., a financial company registered in the Register of Payment Institutions pursuant to Art. 114-*septies* of Italy's Consolidated Banking Act, in which the parent company holds a 94.88% interest; Help Line S.p.A., an instrumental company in which the parent company has a 70% interest; and Oasi Diagram – Outsourcing Applicativo e Servizi Innovativi S.p.A., an instrumental company in which the parent company has a 100% interest.

Help Line S.p.A.
The company is part of the Istituto Centrale delle Banche Popolari Italiane Group and functions as a contact centre.

Help Line S.p.A. is the ICBPI Group's contact centre and was created in 2010 as part of the larger project of integrating the members of the Istituto Centrale Banche Popolari Italiane Group, from the merger of Società Help Phone S.r.l. and Si Call S.p.A. and the subsequent absorption of the Help Desk unit of CartaSi S.p.A. The company provides third parties with services based on the use of telephone and remote channels in the fields of customer support, debt recovery and telemarketing. Help Line S.p.A. manages inbound services (incoming telephone calls), outbound services (outgoing telephone calls), Web interactions (help via the Internet) and high value-added services (datawarehousing, back office, and fraud prevention).

The company's shareholders are Istituto Centrale Banche Popolari Italiane (ICBPI), with a 70% interest, and Banca Popolare di Cividale, with a 30% interest. In 2013 the company reported a net income of €701,229.

ITAS Assicurazioni S.p.A.
Itas Assicurazioni is a member of the ITAS Group, controlled directly, with a 51% interest, by ITAS Mutua Assicurazioni, one of Italy's oldest insurers (in October 2011 it celebrated 190 years of operation) and among the top fourteen on the nation's insurance market. At 31 December 2012, the ITAS Group had 186 agencies and 221 sub-agencies, and its products are also distributed through 1,200 bank branches, 382 employees and 1,400 agents, sub-agents and contractors. In addition to its two banking partners (Banca Popolare di Cividale and Cassa di Risparmio di Bolzano), insurance products are also distributed through other financial institutions. The sales network is based primarily in northern Italy. As part of a larger project aimed at reorganising the Group, a partial de-merger was implemented, resulting in the concentration within ITAS Mutua of all business associated with the Group's agency network, whereas ITAS Assicurazioni assumed

responsibility for bancassurance business in the non-life segment, reporting an increase in premiums written of more than 30% in 2012.

ACILEASING Friuli Venezia Giulia S.p.A.
Following changes in the law, on 19.12.2012 Acileasing Friuli Venezia Giulia S.p.A., which had operated in the vehicle lease sector, resolved to dissolve and liquidate the company, which will carry the lease agreements in its portfolio to their natural expiry dates (three to four years). The sales arm of the company, including sales personnel, the lease of the Udine offices and the associated equipment and furnishings were sold to Civileasing S.p.A., a subsidiary of Banca Popolare di Cividale S.c.p.A., effective 1 January 2013. Civileasing S.p.A. also acquired the Acileasing brand name for an initially agreed term of nine years, thereby expanding its operations in the car leasing sector, in which it will operate under the brand name Acileasing Full Service.

ACIRENT S.p.A.
The company operates in the short-term rental sector and holds the Herz L.t.d. licence for Friuli Venezia Giulia and part of eastern Veneto. Airport rental stations (Treviso and Ronchi dei Legionari) are operated under an agency scheme, whereas city offices are operated under franchise arrangements (Udine, Trieste, Pordenone and Feltre). The company has 20 years of experience in managing fleets of vehicles intended for rental without drivers and also operates in the long-term lease sector for companies and individuals, in synergy with the operations of the ACU Group, from which it receives the technical and organisational support of the latter's facilities for managing fleets of vehicles intended for operational lease (mechanics' garages, roadside assistance, logistical support, etc.).

Risk management and monitoring

Risk management
A clear identification of the risks to which the Group is potentially exposed represents the essential foundation for an informed assumption and effective management of such risks.

Risk management is inspired by especially conservative criteria and is implemented within a precise organisational framework with the aim of limiting the volatility of expected results.

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

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

Credit risk
For the Bank, credit risk represents the most significant form of risk, traditionally (and even more so in this period of economic downturn) giving rise to most provisions and losses recognised through the income statement.

Analysis of credit risk is designed to provide a “portfolio” vision of loans to customers grouped together by business sector, size and location.
The quarterly reports prepared by the Risk Management Service are presented to the boards of directors of the Parent Company and Civileasing, on the basis of data drawn from the Risk Database, and focus in particular on:

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

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

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

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

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

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

Interest-rate risk
The Banca Popolare di Cividale Group pursues the containment of its exposure to interest rate risk primarily by applying consistent parameters to assets and liabilities, and in particular by indexing a large portion of its assets and liabilities on monetary parameters (typically the Euribor rate), as well as the general balancing of the durations of assets and liabilities on low levels.
Measurement of the interest rate risk associated with the banking book is founded upon economic value, defined as the present value of the expected net cash flows generated by assets, liabilities and off-balance sheet positions. In particular, exposure to the interest rate risk associated with the banking book is monitored for the purposes of determining the associated capital absorption on the basis of the Bank of Italy's regulatory model, applied at both a separate and consolidated level.

Liquidity risk

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

Operational risk
Operational risk is handled at the Group level by the Operational and Financial Risks Office within the Risk Management Service, which has implemented specific processes to designate and monitor operational risks, based in particular on the collection of Bank data on operational losses, which are then used to build a structured company database that makes it possible to identify specific areas of risk over time.

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

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

Strategic risk
Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. Strategic risk also includes risk associated with equity investments. By laying down the Strategic Plan and conducting annual planning, the Group places itself in a position to prevent certain interdependent events or risk factors from translating into inadequately considered threats or missed opportunities, thereby effectively influencing the Group's ability to compete and hence its earning capacity.

Reputation risk
Reputation risk is the current or prospective risk of a decline in operating result or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank.
Given the range of events that may cause reputation damages, may specific safeguards and functions already present in the Group's organisational structure may be associated with the monitoring of reputation risk.

Compliance risk
Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes).
The Compliance Unit identifies and assesses the main risks associated with compliance with consumer-protection and financial intermediation legislation. From an organisational standpoint, it is a part of the Compliance Service, which is also responsible for compliance with anti-money laundering legislation and oversees the process of reporting suspect transactions.

The function also conducts ex-ante analyses and reviews of the application of the new supervisory directives concerning subjects such as banking transparency and the prevention of usury, as well as the management of complaints from customers and relations with the Banking and Financial Arbitrator.

Banking risks and capital: ICAAP
In order to fulfil its obligations under Pillar Three of Basel II, in April of each year the Group publishes a *Public Disclosure* document on its website. This document, drafted by the Parent Company at the consolidated level, aims to comply with the regulation by providing as thorough as possible a set of elements for evaluating the Group's capital adequacy, risk exposure and risk management and control systems.

The contents of the *Public Disclosure* reflect those of the *ICAAP Report* concerning the internal capital adequacy assessment process that banks are required to conduct annually to determine and assess their own capital adequacy on a current and prospective basis for the risks assumed and business strategies employed.

Internal Control System

The Internal Control System is the set of rules, functions, units, resources, processes and procedures aimed at ensuring that the following objectives are achieved:

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

The Internal Control System is organised into three levels:

- line controls (level one): these are aimed at ensuring that transactions are executed properly; they are performed by production units themselves (for example, hierarchical type controls) and are incorporated into IT procedures and systems or are conducted in the context of back-office activity;
- level-two controls: these controls are entrusted to units other than production units and are aimed at:
- contributing to the definition of risk-measurement methods, verifying observance of the limits assigned to the various operating functions and checking the consistency of the operations of individual production areas with the assigned risk-return targets; this activity is entrusted to the Risk Management function;
- contributing to the definition of methods for measuring and assessing non-compliance risk, identifying appropriate procedures for preventing the risks detected and requesting the adoption thereof; this activity is assigned to the Compliance function;
- conducting ongoing reviews that company procedures are consistent with the objective of preventing and combating the violation of laws governing the prevention of money-laundering and financing for terrorism; this activity is the responsibility of the Anti-Money Laundering function, which is a part of the Compliance Service;
- level-three controls: this is internal auditing activity aimed at identifying anomalous performances and breaches of rules and procedures, as well as at assessing the functionality 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. This activity is performed by the Internal Audit function.

The entire Internal Control System is periodically evaluated by the Board of Directors of Banca Popolare di Cividale in order to constantly improve strategies and operating processes and assess business risks.

By virtue of the control responsibilities with which the Parent Company is charged, the senior management of Banca Popolare di Cividale has been granted extensive powers to prepare the measures required to ensure that an effective and efficient internal control system is established and maintained for the Bank and Group.

The 15th update of Bank of Italy Circular No. 263/2006, *New Prudential Supervisory Rules for Banks*, of 2 July 2013 introduced significant changes to the Internal Control System, which represents a "fundamental element of the overall governance system of banks; it ensures that company activity is in line with company strategies and policies and is shaped by principles of sound and prudent management."

The new internal control rules, with which banks must comply by 1 July 2014, have considerably reinforced the powers of the risk control function by establishing that "safeguards relating to the internal control system must cover all types of company risk." The above rules have been reflected in Banca Popolare di Cividale's new organisational structure, which entered into force on 30 December 2013 and envisages the second-level control functions of the Risk Management Service and Compliance Service, functions that are separate from and independent of business units, in that they report to the strategic supervision body (the Board of Directors).
This is also assured for the Auditing Department, a level-three control function that is independent of the other company units.
For a description of the overall structure of the Internal Control System, please refer to the Corporate Governance Report annexed to this document and also available on the Company's website at the address http://www.civibank.it.

Disclosure required by joint Bank of Italy, ISVAP and CONSOB documents

In documents no. 4 of 3 March 2010 and no. 2 of 6 February 2009, national regulators called attention to the need to provide clear disclosure in the financial statements on some areas where a high degree of transparency is of the essence: the measurement of goodwill (impairment testing), other intangible assets with indefinite useful lives and equity investments; the measurement of available-for-sale equities; the contractual clauses of financial payables; information concerning the going-concern assumption; financial risks to which the enterprise is exposed; audits conducted of any indications that assets have become impaired; and uncertainty in the use of estimates.
The foregoing notices, which do not have independent regulatory force, but rather are limited to urging the proper application of current statutes and applicable accounting standards, then provide a detailed account of the disclosures to be furnished on debt restructurings and recall disclosure requirements concerning the fair value hierarchy.
In these financial statements, the disclosures relevant to the Banca Popolare di Cividale Group are set out below in this report and in the notes, as part of the illustration of the various specific items.
With respect to the "going-concern" principle, which was the subject of a specific disclosure request in the 2008 financial statements (document no. 2 of February 2009), regulators have once again drawn the attention of all the parties involved in preparation of financial statements to the need to devote especial effort to the assessments relating to such assumption. On this point, the Bank's Directors reiterate that they are reasonably certain that the Group will continue to operate profitably in the foreseeable future. Accordingly, the 2013 consolidated financial statements have been prepared on a going-concern basis, considering, among other factors, the adequate capital structure and prospective profitability outlined in the business plan currently in the process of being prepared and approved. It should further be noted that there is no basis for doubt on the specific issue of the going-concern principle in the Group's financial position or operating performance.
With respect to the disclosure concerning financial risks, such risks are analysed in the consolidated report on operations and in Chapter E of the notes, Risks and hedging policies.
In the course of preparing the year-end financial statements, the Group punctually conducted reviews aimed at determining whether any of its assets had become impaired, with a specific focus on goodwill and other intangible assets, equity investments carried among assets and available-for-sale equity investments. A description of the methods used to carry out such tests and the results thereof is specifically illustrated in the notes, in which the discussion is divided by asset type.
A specific section has been prepared concerning uncertainty in the use of estimates in preparing the separate financial statements as part of the drafting process, namely Chapter A of the notes, Accounting policies, A.1 – General information.

Legal risks

Money-laundering (Legislative Decree No. 231/2007)
Responsibility for overseeing compliance with anti-money laundering legislation, in accordance with Bank of Italy rules governing the anti-money laundering organisation, procedures and internal controls, falls to the Anti-Money Laundering Office within the Compliance Service, the head of which has been placed in charge of the function in accordance with those rules.
The Anti-Money Laundering Function, which operates on behalf of all Group companies, has the mission of preventing and combating transactions involving the laundering of money and financing for terrorism within the Parent Company and Group companies. To this end, it ensures that the IT and organisational procedures prepared by those companies are consistent with the objective of preventing and combating the breach of applicable laws and internal rules governing money-laundering. It also performs specific monitoring activity aimed at identifying any potentially suspect transactions.
The Anti-Money Laundering office sends Italy’s Ministry of the Economy and Finance notices of breaches of rules governing the use of cash and bearer securities. It also responds to requests from the authorities concerning the reporting of suspect transactions to the Financial Information Office.
The head of the function, as the party delegated to report suspect transactions, conducts analysis, carries out preliminary investigation and sends reports of suspect transactions pursuant to Art. 41 of Legislative Decree No. 231/07.

Administrative liability (Legislative Decree No. 231/2001)
In consideration of the provisions of Legislative Decree No. 231/01, the Group has supplemented its Internal Control System by adopting a specific Organisational Model.
That Model pursues the primary goal of setting up a well-organised, organic system of organisational and control principles and procedures suited to preventing or reducing the risk of the commission of the offences set forth in the Decree.
The Bank’s Supervisory Board now consists solely of non-executive Directors or Statutory Auditors of Banca Popolare di Cividale Group companies without delegated powers and active administrative duties. The Board is charged with supervising the operation and enforcement of the Organisation, Management and Control Model and ensuring that the Model is updated, while the Board of Directors has final responsibility for the adoption of the Model.
The Founding and Operational Rules govern the Supervisory Board’s activity.
The Supervisory Board is entrusted with the task of supervising:

- the efficacy and adequacy of the Model in relation to the company's structure and its effective ability to prevent the commission of the Offences;
- compliance with the Model's prescriptions by corporate bodies, employees and other addressees, in the latter case also through the competent company units;
- the appropriateness of updating the Model, where it is found necessary to adjust it in connection with changes in company conditions and/or legislation; and
- the company's fulfilment of its obligations under applicable money-laundering legislation.

The Organisational Model is currently in the process of being updated with respect to the most recent predicate offences added, and is being revised to reflect the Group’s new organisational structure following the merger executed in late 2013.

Corporate governance report (Art. 123-*bis*, Legislative Decree 58 of 24 February 1998)

Introduction

As an issuer of securities quoted on regulated markets, Banca Popolare di Cividale S.c.p.A. is required to comply with the disclosure obligations provided for in Article 123-*bis* of the Consolidated Finance Act. For issuers of quoted securities other than shares, such obligations relate to "the primary characteristics of existing risk management and internal control systems in relation to the financial reporting process, including at a consolidated level, where applicable."

Internal control system

In accordance with the dictates of corporate law and the Bank of Italy's supervisory regulations, the Group has implemented an internal control system aimed at ensuring that the main risks associated with its core business are constantly monitored, thus ensuring that its operations are managed soundly, properly and in a manner consistent with pre-determined objectives, in harmony with applicable models and in agreement with best practices at a national and international level.

The Banca Popolare di Cividale Group's internal control system involves its collegial bodies, control functions, Supervisory Board pursuant to Law 231/2001, the independent auditors, general management and all personnel.

The internal control system takes two forms:

1) ongoing monitoring, divided into three levels of continual controls:

1. tier one, conducted on an ongoing basis, when a transaction is launched and during the approval process, by the operators themselves, their hierarchical superiors or automated transaction processing systems; activities aimed at producing accounting data and preparing the financial statements are subject to specific tier-one controls conducted within accounting units;
2. tier two/level one (2.1), carried out by personnel with operating duties, yet distinct from personnel directly involved in decisions concerning the transaction subject to control; in particular, central administrative departments are responsible for monitoring controls of all functions with access to the accounting information system; and
3. tier two/level 2 (2.2), carried out by staff members of specialised ongoing control functions of the last instance, not authorised to assume risks, namely the Compliance function, Risk Management function and manager responsible for preparing financial reports;

2) periodic control, represented by a third-tier control performed by the Audit function on a periodic basis through onsite inspections and documentary review.

The internal control and risk management system is also aimed at ensuring the reliability, accuracy, trustworthiness and timeliness of financial reporting.

Collegial bodies

In accordance with the Group's characteristics, within a traditional governance model the Board of Directors plays a fundamental role in achieving an effective, efficient risk management and control system.

In further detail, the strategic supervision body has adopted organisational models and appropriate operational and control mechanisms compliant with applicable legislation and company strategies.

Tier-two/level 2 (2.2) and tier-three control functions report to the Board of Directors concerning the activities performed, the main risks detected, the identification and implementation of mitigation mechanisms and the effects of the application thereof.

The boards of directors of subsidiaries adopt the risk management and mitigation policies approved by the Parent Company's Board of Directors. In addition, they identify the responsibilities of company units and functions so that the associated tasks are clearly assigned and potential conflicts of interest are prevented.

The Chairman of the Board of Directors, in conjunction with the manager responsible for preparing financial reports, issues a specific report on the separate financial statements, condensed half-yearly financial statements and consolidated financial statements attesting to the adequacy and effective application of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements.

With at least half-yearly frequency, control functions report to the Board of Directors concerning the activities performed, the main risks detected, the identification and implementation of mitigation mechanisms and the effects of the application thereof.

Manager responsible for preparing financial reports

The manager responsible for preparing financial reports issues a specific report on the consolidated financial statements attesting to the adequacy and effective application of administrative and accounting procedures for the preparation of the consolidated financial statements and all other notices of a financial nature, as well as the correspondence between documents and accounting books and records.

In order to provide such certification, the manager responsible for preparing financial reports conducts reviews of the adequacy and efficacy of the Financial Reporting Internal Control System:

- at the company and Group level, such reviews take the form of a concise analysis at the overall company and Group level aimed at verifying the existence of arrangements within the company aimed at reducing risk of errors and improper conduct for the purposes of accounting and financial information; and
- at the process level, such reviews take the form of analyses and verification of company operations aimed at generating and driving financial reporting, in part through the use of the results generated by other control functions; to that end, the scope of the relevant activities is identified, which then results in the identification of significant processes to be verified for the Parent Company and its subsidiaries.

Compliance

Compliance pursues the mission of ensuring the observance of provisions of law concerning banking and financial activities, professional and ethical rules and customs and Group regulations with the aim of ensuring the centrality of customers' interests, market integrity, the prevention of money-laundering and market abuse, the protection of Group companies, employees and senior management against the risks of penalties, financial loss and reputational damage.

Auditing

Internal Audit is responsible for third-tier periodic controls. Such controls involve analysing organisational structures, processes and behaviours through spot checks of documentation and onsite inspections.

Statutory auditing

For the Banca Popolare di Cividale Group, statutory auditing is conducted by an auditing firm that renders the services provided for in Article 14, paragraph 1, of Legislative Decree No. 39 of 27 January 2010.

The independent auditors express an opinion of the separate financial statements and consolidated financial statements in specific reports, in addition to drafting a limited audit report on the half-yearly financial report.

At present, the firm Reconta Ernst & Young S.p.A. has been engaged to conduct statutory auditing of Group companies.

Dealings with Group companies and other related parties

The subject is governed by Article 2391-*bis* of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in accordance with the general principles indicated by Consob, to adopt rules that ensure the "transparency and substantial and procedural propriety of related-party transactions" undertaken directly or through subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders' meeting.

By resolution 17221 of 12 March 2010, exercising the authority delegated to it under Article 2391-*bis* of the Italian Civil Code, Consob approved the *Regulations for Transactions with Related Parties* (also referred to hereinafter as the "Consob Regulations"), subsequently amended by resolution 17389 of 23 June 2010, which set out the general principles to be observed by companies that obtain funding from the risk-capital market when setting rules aimed at ensuring the transparency and substantive and procedural propriety of transactions with related parties.

In relation to its specific activity, the Bank is also subject to the provisions of Article 136 of the Consolidated Banking Act, as recently amended by Law 221/2012, governing the obligations of bank officers.

On 12 December 2011, the Bank of Italy published new supervisory rules governing risk assets and conflicts of interests within banks and banking groups in regard to "Associated Parties" (ninth update of Circular 263 of 27 December 2006, hereinafter the "Bank of Italy Rules"), in supplementation of the provisions of the Consob Regulation. The definition of Associated Parties includes not only related parties, as defined in the Consob Regulation, but also parties associated with such related parties, as identified in supervisory provisions.

The new rules aim to prevent the risk that the proximity of certain parties to the Bank's decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, and are in addition to, and only partly overlap with, the other applicable provisions on the subject (Article 2391 of the Italian Civil Code, Article 136 of the Italian Consolidated Banking Act, the Consob Regulation and IAS 24).

In 2013 the Banca Popolare di Cividale Banking Group, in accordance with the combined provisions of the regulations cited above, adopted its *Procedures for Transactions with Related Parties and Associated Parties* (also referred to hereinafter as the "APT BPC Procedures").

In accordance with applicable regulations, the document has been published on the website at the address http://www.gruppobancapopolaredicividale.it/it/126/Procedure parti correlate and has been in effect since 31 December 2012.

Major transactions

In application of the Group Regulation governing the management of transactions with related parties, the market disclosure document entitled *Disclosure Document Pursuant to Article 5 of Consob Regulation 17221-2010 APT Intra-Group Merger of BDC S.p.A. and NEB S.p.A. into BPC S.c.p.A.* concerning the corporate reorganisation transaction cited above was published in the first half of 2013. The document is available from the website at the address:

http://www.bancapopolaredicividale.it/it/095/Informativa+R.+Emittenti+Consob.

With the exception of the foregoing, in 2013 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 half of 2013 with related parties are part of the Bank's ordinary operations and are normally governed by market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.

In keeping with the above arrangement, dealings with Group companies consist primarily of consideration for services rendered, deposits and financing in the course of ordinary interbank operations, as regards the banking firms. The other contractual dealings with specialised finance companies and the Group's service providers involve assistance and advisory services and specialised services in support of current operations.

Detailed information regarding intra-Group and related-party dealings, including information on the impact of outstanding transactions and positions with such counterparties on the Group's financial performance and financial position, accompanied by tables summarising those effects, are set forth in Chapter H of the Notes.

Subsequent events

The significant events that occurred between the end of 2013 and the date of approval of this report include:

- the launch of the new platform prepared by ICBPI for the trading of Banca Popolare di Cividale S.c.p.A. shares;
- the start of the process of drafting the 2014-2016 Strategic Plan, currently subject to approval; and
- the transfer of all headquarters offices to new premises and the ensuing change of BPC's registered office from Piazza Duomo 8 to Via Sen. Guglielmo Pelizzo 8-1.

With the exception of the foregoing, since the end of the period there have been no other material events of a sort that would have a significant effect on either the earnings and financial position of the Company or the various entities within the scope of consolidation or on the representation thereof.

Outlook

The prospects for the economic cycle remain uncertain and uneven across Europe. In peripheral nations, economic activity continues to stagnate, job market conditions are weak and unemployment stands at high levels. The main economic forecasts indicate that Italy will resume moderate growth in 2014-2015, driven by foreign demand and the gradual recovery of investments in production, fostered by an improvement in demand prospects and greater cash at hand for companies. However, the ratio of investments to GDP is expected to fall below the historical average. Consumption is projected to remain weak, with an improvement in employment only in 2015. The connection between sovereign and banking risk remains significant. Low market rates are compressing profit margins and further possible critical issues derive from the evolution of the regulatory framework of reference. There thus continue to be a number of factors of uncertainty that are conditioning the results and performance of the banking system generally.

The prolonged recession, deleveraging and stricter capital requirements have contributed to intensifying the challenges in the operating scenario faced by banks, especially small and medium institutions. Bad debts remain a significantly high percentage of total loans. The industry will need to face a number of challengers during the current year. These include the Asset Quality Review and the stress tests to be conducted by the ECB and EBA, in view of unified European supervision, the persistent deterioration of asset quality, the repayment of LTROs and "bail-ins" of struggling banks, to which a non-negligible share of the market may be attributed. The LTRO exit strategy should not pose a risk in and of itself, but the reduction in the carry-trade portfolios will entail a decreased contribution to net interest income. The profits, margins and profitability of Italian banks may only improve on condition that the prospects for an economic recovery are confirmed and the uncertainties regarding the system's stability are defused. In this context, management of the Group, in the immediate future, will be oriented towards the pursuit of the objectives defined in the context of the Business Plan, currently subject to approval.

Proposal to cover the loss for the year

Shareholders,

The financial statements submitted for your review have been drafted in accordance with IASs/IFRSs as required by Legislative Decree No. 38 of 28 February 2005 and order of the Bank of Italy no. 262 of 22 December 2005, as amended, and have been audited by the independent auditors Reconta Ernst & Young S.p.A., a copy of whose report is included in the financial statement package. The financial statements we ask you to approve show the following results, in concise form:

Balance sheet

Total Assets	**5.073.557.196**	
Liabilities		4.806.379.956
Share capital		51.067.947
Share premiums		198.569.529
Reserves		42.845.467
Valuation reserves		8.551.574
Treasury shares		(7.277)
Total liabilities and shareholders' equity (excluding Income for the period)		**5.107.407.196**
Net income (loss) for the period		**(33.850.000)**

Considering that available reserves at 31 December 2013 – as presented in the schedule pursuant to Art. 2427, paragraph 1, no. 7-*bis*, of the Italian Civil Code – amount to €207,122,000, it is proposed that the Board submit to the Shareholders' Meeting a proposal to cover the loss for 2013 of €33,850,000 through the use of the following reserves:

Revaluation reserves: €3,264,557:

- 1975 revaluation reserve: €12,401;
- 1983 revaluation reserve: €892,884;
- 1991 revaluation reserve: €2,359,272.

Issue premium: €30,585,443.

The above correspond to the loss for the year of €33,850,000.

Considering that the available reserves presented on the face of the balance sheet under item 160 of liabilities include negative shareholders' equity captions of €6,940,100 that arose from the first-time application of international accounting standards and that do not have any effect on either the composition or availability for distribution of the reserves, it is proposed that the Shareholders' Meeting be asked to approve the coverage thereof through the use of the statutory reserve, without such coverage entailing any change in the overall balances of reserves, as presented in item 160 of the liabilities section of the balance sheet.

Should you approve the foregoing proposal for the coverage of the net loss, share capital and reserves shall be as follows:

	Amounts to 31/12/2013	Allocation of net income	Amounts after allocation of net income
Share capital	51.067.947		51.067.947
Share premiums	198.569.529	(30.585.443)	167.984.086
Reserves	42.845.467		42.845.467
Valuation reserves	8.551.574	(3.264.557)	5.287.017

Proposal to set the share premium pursuant to Article 2528 of the Italian Civil Code

Shareholders,

After having consulted with the Board of Statutory Auditors on the subject, this Shareholders' Meeting has also been called upon to approve the Directors' proposal for setting the share premium to be paid in addition to the value of shares (par value).

The Board of Directors has acknowledged the figures presented in the 2013 financial statements, the proposed coverage of the net loss, the provisions in equity recognised and the determinations of the price of our shares previously made by the Board, and has decided to propose that the share premium be maintained unchanged at €21.50. That share premium, in addition to the par value, would bring the price of one share of the Bank to a total of €24.50.

Cividale del Friuli, 18 March 2014

Consolidated financial statements of the Banca Popolare di Cividale Group

Consolidated financial statements

Consolidated balance sheet

Balance sheet - Assets			31/12/2013		31/12/2012
10	Cash and cash equivalents		20.021		25.501
20	Financial assets held for trading		3.512		11.198
40	Financial assets available for sale		1.472.132		1.393.365
50	Invetments held to maturity		105.413		104.107
60	Due from banks		163.750		383.227
70	Loans to customers		3.113.834		3.182.832
100	Investments in associates and companies subject to joint		7.529		8.635
120	Property and equipment		86.998		77.260
130	Intangible assets		19.379		19.247
	of which:				
	- goodwill	19.136		19.136	
140	Tax assets		73.893		42.115
	a) current	17.361		10.635	
	b) deferred	56.532		31.480	
160	Other assets		30.797		39.082
	Total assets		**5.097.258**		**5.286.569**

Balance sheet - Liabilities and shareholders' equity			31/12/2013		31/12/2012
10	Due to banks		1.010.863		970.236
20	Due to customers		2.968.412		2.680.797
30	Debt securities issued		730.284		1.107.135
40	Financial liabilities held for trading		965		2.073
60	Hedging derivatives		-		2.915
80	Tax liabilities		27.056		26.289
	a) current	19.935		14.425	
	b) deferred	7.121		11.864	
100	Other liabilities		89.276		92.922
110	Employee termination benefits		5.658		5.647
120	Provisions for risk and charges:		3.436		1.289
	b) other provisions	3.436		1.289	
140	Valuation reserves		8.552		28.730
170	Reserves		38.920		63.752
180	Share premiums		198.570		196.529
190	Share capital		51.068		50.783
200	Treasury shares (-)		(7)		(9.740)
210	Minority interest (+/-)		-		57.659
220	Net income (loss) for the period (+/-)		(35.793)		9.553
	Total liabilities and shareholders' equity		**5.097.258**		**5.286.569**

The comparative period has been reclassified due to the retrospective application of accounting standard IAS 19.

Consolidated income statement

	Consolidated income statement		31/12/2013		31/12/2012
10	Interest income and similar revenues		140.119		159.173
20	Interest expense and similar charges		(57.659)		(74.483)
30	**Net interest income**		**82.460**		**84.690**
40	Commission income		29.041		30.284
50	Commission expense		(6.754)		(6.761)
60	**Net commission income**		**22.287**		**23.523**
70	Dividends and similar income		996		771
80	Net trading income		423		3.332
90	Fair value adjustments in hedge accounting		(54)		1.118
100	Profit (loss) on disposal or repurchase of:		50.633		8.878
	a) loans	852		65	
	b) financial assets available for sale	51.586		11.596	
	d) financial liabilities	(1.806)		(2.783)	
120	**Total income**		**156.744**		**122.312**
130	Charges/write-backs on impairment of:		(128.150)		(41.332)
	a) loans	(118.911)		(40.543)	
	b) financial assets available for sale	(9.281)		(836)	
	d) other financial transactions	42		47	
140	**Net Financial income**		**28.594**		**80.980**
170	**Net income from financial and insurance operations**		**28.594**		**80.980**
180	G&A expenses:		(74.010)		(73.211)
	a) personnel expenses	(41.308)		(40.726)	
	b) other administrative expenses	(32.702)		(32.485)	
190	Net provisions for risks and charges		(2.410)		(858)
200	Net impairment/write-backs on property, plant and equipment		(1.266)		(1.331)
210	Net impairment/write-backs on intangible assets		(108)		(256)
220	Other operating income (expenses)		6.595		7.528
230	**Operating cost**		**(71.199)**		**(68.128)**
240	Profit (loss) on equity investments		(769)		1.141
270	Profit (loss) on disposal of investments		-		356
280	**Income (loss) before tax from continuing operations**		**(43.375)**		**14.349**
290	Tax on income from continuing operations		7.581		(8.022)
300	**Income (loss) after tax from continuing operations**		**(35.793)**		**6.327**
320	**Net income for the period**		**(35.793)**		**6.327**
330	Minority interest		-		3.226
340	**Net income for the period attributable to the Parent company**		**(35.793)**		**9.553**

The comparative period has been reclassified due to the retrospective application of accounting standard IAS 19.

Consolidated statement of comprehensive income

		31/12/2013	31/12/2012
10	**Net profit for the year**	**(35.793)**	**9.553**
	Other income net of income taxes without transfer to profit and loss account		
40	Actuarial gains (losses) from defined benefit plans	185	(357)
100	AFS financial assets	(10.646)	30.505
130	**Total other income, net of income taxes**	**(10.461)**	**30.505**
140	**Comprehensive income (10 + 130)**	**(46.253)**	**40.058**
150	Comprehensive income attributable to Minority Interests	-	(2.415)
160	**Consolidated comprehensive income attributable to the Parent Company**	**(46.253)**	**37.643**

Consolidated statement of changes in shareholders' equity

2013

2013	Balance at 01/01/2013		Allocation of result for previous period			Changes during the year												Shareholders' equity at 31/12/2013	
			Reserves			Changes in reserves		Equity operations								Total comprehensive income for the			
								New share issues		Purchase of treasury stock									
	Group	Minority interests	Group	Minority interests	Dividends and other uses	Group	Minority interests	Group	Minority interests	Group	Minority interests	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Group	Minority interests	Group	Minority interests
Share capital	**50.783**	**28.027**	**-**	**-**	**-**	**-**	**(28.027)**	**285**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51.068**	**-**
a) ordinary shares	50.783	28.027	-	-	-	-	(28.027)	285	-	-	-	-	-	-	-	-	-	51.068	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529**	**29.958**				**-**	**(29.958)**	**2.040**	**-**		**-**							**198.569**	**-**
Reserves	**63.752**	**716**	**-**	**-**	**-**	**(24.832)**	**(716)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38.920**	**-**
a) income	36.069	716				2.851	(716)		-	-		-	-	-	-	-	-	38.920	-
b) other	27.683	-	-			(27.683)		-	-	-	-	-	-	-	-	-	-	(0)	-
Valuation reserves:	**28.730**	**2.184**	**-**	**-**	**-**	**(9.718)**	**(2.184)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10.461)**	**-**	**8.551**	**-**
a) available for sale	16.140	(160)	-			(160)	160		-	-		-	-	-	-	(10.646)		5.334	-
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	12.590	2.344				(9.558)	(2.344)		-	-		-	-	-	-	185		3.218	-
Equity instruments	**-**	**-**																**-**	**-**
Treasury shares	**(9.740)**	**-**	**-**	**-**	**-**	**9.733**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**
a) of Parent Company	(9.740)	-	-	-	-	9.733	-	-	-	-	-	-	-	-	-	-	-	(7)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	**9.552**	**(3.225)**	**98**	**-**	**(6.425)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(35.793)**	**-**	**(35.793)**	**-**
Shareholders' equity	**339.606**	**57.660**	**98**	**-**	**(6.425)**	**(24.817)**	**(60.885)**	**2.325**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(46.253)**	**-**	**261.308**	**-**

(*) The amount refers to valuation reserves for property, plant and equipment.

2012

2012	Balance at 01/01/2012		Allocation of result for previous period			Changes during the year												Shareholders' equity at 31/12/2012	
			Reserves			Changes in reserves		Equity operations								Total			
								New share issues		Purchase of									
	Group	Minority interests	Group	Minority interests	Dividends and other uses	Group	Minority interests	Group	Minority interests	Group	Minority interests	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Group	Minority interests	Group	Minority interests
Share capital	**50.788**	**28.733**	**-**	**-**	**-**	**(5)**	**(706)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50.783**	**28.027**
a) ordinary shares	50.788	28.733	-	-	-	(5)	(706)	-	-	-	-	-	-	-	-	-	-	50.783	28.027
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529**	**29.983**					**(25)**	**-**	**-**		**-**							**196.529**	**29.958**
Reserves	**63.280**	**1.386**	**(27)**	**(709)**	**-**	**498**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63.752**	**716**
a) income	36.282	1.386	(57)	(709)		(156)	40		-	-		-	-	-	-	-	-	36.069	716
b) other	26.998	-	30			654		-	-	-	-	-	-	-	-	-	-	27.683	-
Valuation reserves:	**(1.580)**	**1.408**	**-**	**-**	**-**	**(195)**	**(35)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30.505**	**811**	**28.730**	**2.184**
a) available for sale	(14.366)	(972)	-						-	-		-	-	-	-	30.505	811	16.139	(161)
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	12.786	2.380				(195)	(35)		-	-		-	-	-	-	-	-	12.591	2.345
Equity instruments	**-**	**-**																**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9.740)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9.740)**	**-**
a) of Parent Company	-	-	-	-	-	-	-	-	-	(9.740)	-	-	-	-	-	-	-	(9.740)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	**8.731**	**(917)**	**447**	**-**	**(8.261)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.552**	**(3.226)**	**9.552**	**(3.226)**
Shareholders' equity	**317.748**	**60.593**	**420**	**(709)**	**(8.261)**	**298**	**(726)**	**-**	**-**	**(9.740)**	**-**	**-**	**-**	**-**	**-**	**40.057**	**(2.415)**	**339.606**	**57.659**

(*) The amount refers to valuation reserves for property, plant and equipment.

Consolidated statement of cash flows

CONSOLIIDATED STATEMENT OF CASH FLOW				
OPERATING ACTIVITY	31/12/2013		31/12/2012	
1. Operations		**6.598**		**112.869**
- interest income received (+)	179.081		199.482	
- interest expense paid (-)	(57.604)		(66.144)	
- net commissions (+/-)	21.484		22.965	
- staff costs	(41.220)		(38.205)	
- other expenses (-)	(158.581)		(24.428)	
- other revenues (+)	56.441		18.729	
- taxes and duties (-)	6.997		469	
2. Liquidity generated/absorbed by financial assets: (+/-)		**151.983**		**(594.696)**
- financial assets held for trading	7.685		14.322	
- financial assets available for sale	(78.767)		(613.800)	
- loans to custumers	26.473		(117.370)	
- due from banks: repayable on demand	(163.054)		6.943	
- due from banks: other	382.531		112.490	
- other assets	(22.886)		2.718	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(68.887)**		**437.390**
- due to banks: repayable on demand	1.009.367		(232.286)	
- due to banks: other	(968.796)		84.370	
- due to customers	287.615		1.032.907	
- securities issued	(376.851)		(494.162)	
- financial liabilities held for trading	(1.108)		(2.237)	
- other liabilities	(19.114)		48.797	
Net liquidity generated/absorbed by operating activity A (+/-)		**89.695**		**(44.438)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**824**		**542**
- dividends received on equity investments	996		771	
- disposal of intangible assets	(172)		(230)	
2. Liquidity absorbed by: (-)		**(9.983)**		**66.437**
- purchase of equity investments	1.106		(209)	
- purchase of financial assets held to maturity	(1.305)		76.228	
- purchase of property, plant and equipment	(9.783)		(9.582)	
Net liquidity generated/absorbed by investing activity B (+/-)		**(9.158)**		**66.978**
FUNDING ACTIVITY				
- issue/purchase of ow n shares	(79.591)		(9.700)	
- distribution of dividends and other uses	(6.425)		(7.918)	
Net liquidity generated/absorbed by funding activity C (+/-)		**(86.016)**		**(17.618)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(5.479)**		**4.923**
RECONCILIATION				
Cash and cash equivalents at the start of the period E		25.501		20.578
Total net liquidity generated/absorbed during the period D		-5.479		4.923
Cash and cash equivalents: effect of exchange rate changes F		0		0
Cash and cash equivalents at the end of the period G = E +/-D+/-F		**20.021**		**25.501**

Notes to the consolidated financial statements

Chapter A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

Section 1 Statement of compliance with international accounting standards

In application of Legislative Decree No. 38 of 28 February 2005, the consolidated financial statements of the Banca Popolare di Cividale Group are prepared in accordance with the international accounting standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, the adoption of which was compulsory at 31 December 2013, including the relative Interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as established by Regulation (EC) No. 1606 of 19 July 2002.

The consolidated financial statements for the year ended 31 December 2013 have been prepared on the basis of the instructions issued by the Bank of Italy within the scope of its regulatory powers governing the technical form of the financial statements of banks and financial institutions as set forth in Legislative Decree No. 38/05 *Instructions for the Preparation of the Separate and Consolidated Financial Statements of Banks and Financial Institutions that are the Parent Companies of Banking Groups* (Order of 22 December 2005 – Circular No. 262 – second update of 21 January 2014).

Those *Instructions* set out a compulsory presentation for the financial statements and the basis for the preparation thereof, as well as the contents of the notes to the financial statements.

The financial statements have been prepared using the international accounting standards in force at 31 December 2013 (including the SIC and IFRIC interpretation documents).

During 2013, the European Commission published the following regulations endorsing new international accounting standards and amendments of accounting standards already in force:

- No 183/2013 of 4 March 2013, adopting amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*;
- No 301/2013 of 27 March 2013, adopting *Improvements to International Financial Reporting Standards – 2009-2011 Cycle*;
- No 313/2013 of 4 April 2013, adopting IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, applicable on a compulsory basis effective 1 January 2014;
- No 1174/2013 of 20 November 2013, concerning investment entities, amending International Financial Reporting Standards (IFRSs) 10 and 12 and International Accounting Standard (IAS) 27;
- No 1374/2013 of 19 December 2013, adopting additional disclosures concerning the recoverable amounts of non-financial assets (amendments to IAS 36);
- No 1375/2013 of 19 December 2013, adopting *Novation of Derivatives and Continuation of Hedge Accounting* (amendments to IAS 39).

With respect to the standards included in the financial statements for the previous year, attention should be drawn to the entry into force of the following from 1 January 2013:

- the amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*;
- IAS 19 *Employee Benefits*;
- IFRS 13 *Fair Value Measurement*, the standard that defines fair value and provides a framework of reference for determining fair value, as well as requiring additional disclosures concerning measurements;
- the amendments to IFRS 7 and IAS 32 concerning the offsetting of financial assets and liabilities.

With regard to gains and losses recognised directly in equity, the amendment to IAS 1 provides for a distinction between elements that may or may not be recycled to profit or loss. The implementation of this amendment takes the form of a simple disclosure.

The main change incorporated in the new version of IAS 19 relates to the provision of a single criterion for accounting for actuarial gains and losses deriving from the measurement of defined-benefit plans. In fact, with respect to the previous version of the Standard, the possibility of recognising all actuarial gains and losses immediately in profit or loss (the approach taken by the Group through 31 December 2012) has been eliminated, and such gains and losses must now be recognised in a specific item of equity to be presented in other comprehensive income.

The application of IFRS 13 does not extend the scope of application of fair value measurement, but rather provides guidelines concerning how to measure the fair value of financial instruments and non-financial assets and liabilities already required or allowed by other accounting standards. Fair value measurement rules, previously present in various standards, in some cases with inconsistent provisions, have thus been concentrated into a single standard. Considering that many of the concepts of IFRS 13 are consistent with the current practice, the new Standard does not have a significant impact on the Bank's measurements.
On the other hand, fair value disclosure obligations have been expanded to extend to financial and non-financial assets and liabilities measured at fair value on a non-recurring basis. These obligations were incorporated into the second update to Bank of Italy Circular No. 262.
The amendment to IFRS 7 aims to reconcile IFRS offsetting rules – as defined in IAS 32 – with US GAAP offsetting rules by requiring that the effects of netting arrangements on financial assets and liabilities be mentioned by providing a disclosure in the notes.
The publication of the consolidated financial statements for the year ended 31 December 2013 was authorised by the Board of Directors on 18 March 2014.

Section 2 General basis of preparation

The consolidated financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and the notes to the financial statements. A report on operations, earnings results and financial position has also been included. The figures presented in the financial statements and in the notes, as well in the report on operations, are expressed in thousands of euro, unless otherwise indicated. The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2012. The financial statements have been prepared in application of the general preparation principles set forth in IAS 1, the accounting standards illustrated in Chapter A.2 of the Notes (international accounting standards endorsed by the European Union the adoption of which was compulsory at 31 December 2013).
In application of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, introduced by Legislative Decree No. 32/2007, transposing the EU accounts modernisation Directive 2003/51/EC into Italian law, the consolidated report on operations also includes the main comments with respect to the matters material to the set of companies within the scope of consolidation, with the separate report of operations of the parent included in a single document.
Measurement criteria have been adopted in view of the continuity of company activity and reflect the principles of accruals-basis accounting, the materiality and significant of accounting information and the prevalence of economic substance over legal form.
In particular, the directors may reasonably expect that the Bank will continue to operate as a going concern for the foreseeable future (at least twelve months) and have prepared the financial statements on a going-concern basis. Any uncertainties identified are not material and do not cast doubt on the ability to operate as a going concern.
The consolidated financial statements for the year ended 31 December 2013 have been prepared in a clear manner and provide a fair and true representation of the Bank's financial position and earnings results for the year.

Contents of the financial statements

The balance sheet and income statement consist of items, sub-items and further information (the "of which" within items and sub-items). In the income statement, revenues are indicated without sign, whereas costs are presented in parentheses.
The statement of comprehensive income consists of items that show changes in the carrying amount of assets during the year recognised through valuation reserves. Consolidated comprehensive income is broken down into the share attributable to the Parent Company and the share attributable to minority interests. Negative amounts are presented in parentheses.
The statement of changes in shareholders' equity presents the composition of and changes in shareholders' equity accounts during the reporting year and the previous year, broken down into share capital, equity reserves, reserves from retained earnings, reserves from the valuation of assets or liabilities and net income or loss. Treasury shares are deducted from shareholders' equity. Items are broken down into the share attributable to the Group and the share attributable to minority interests.

The statement of cash flows has been prepared according to the direct method, which shows the main categories of gross receipts and payments. Cash flows have been presented by distinguishing between operating, investing and financing activity.
The notes to the financial statements include the information provided for by International Financial Reporting Standards and Circular No. 262/2005 of the Bank of Italy (second update of 21 January 2014).
The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2012.

Section 3 Scope of consolidation and consolidation methods

The consolidated financial statements include Banca Popolare di Cividale and its direct or indirect subsidiaries as at 31 December 2013, and the scope of consolidation – as specifically required by IASs/IFRSs – also extends the companies operating in sectors dissimilar to that of the Parent Company.
Exclusive controlling interests are those in entities for which Banca Popolare di Cividale directly or indirectly holds more than half of votes, or a lesser share of voting rights yet has the power to appoint the majority of the entity's directors or the power to determine the entity's financial and operating policies.
Companies are considered associates (subject to significant influence) when Banca Popolare di Cividale directly or indirectly holds at least 20% of voting rights (including "potential" voting rights) or holds a lesser percentage of voting rights but has the power to participate in determining the entity's financial and operating policies under specific legal arrangements such as shareholders' agreements.
As part of the project aimed at simplifying and optimising the Group's corporate structure, the merger of Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. was executed on 28 December 2013, with effect for legal purposes from 30 December 2013 and effect for accounting purposes from 1 January 2013.
Civileasing S.p.A. and Tabogan S.r.l., fully-owned subsidiaries of Banca Popolare di Cividale, have been consolidated line-by-line in the financial statements at and for the year ended 31 December 2013.
The following is a list of the equity investments included within the scope of consolidation according to the equity method.

1. *Equity investments in subsidiaries and joint ventures*

	Registered office	Type of relationship	Equity investment		% of votes
			Investor	% holding	
C. Companies under significant influence					
1 Acileasing S.p.A.	Udine	2	Banca Popolare di Cividale ScpA	30,00%	30,00%
2 Acrent S.p.A.	Udine	2	Banca Popolare di Cividale ScpA	30,00%	30,00%
3 Itas Assicurazioni S.p.A.	Trento	2	Banca Popolare di Cividale ScpA	25,00%	25,00%
4 Help line S.p.A.	San Giovanni al Natisone (UD)	2	Banca Popolare di Cividale ScpA	30,01%	30,01%

Consolidation methods
The methods used to consolidate subsidiaries (line-by-line consolidation) and associates (equity method) have remained unchanged with respect to those adopted for the Banca Popolare di Cividale Group's 2012 Annual Report, to which the reader is therefore referred. The financial statements of the Parent Company and of the other companies used to prepare the Report refer to 31 December 2013. The financial statements of subsidiaries have been drafted in accordance with uniform accounting standards.
Subsidiaries are fully consolidated, i.e. by adding their balance sheet and income statement aggregates on a line-by-line basis. The value of an equity investment is eliminated against the residual value of the interest in the company, after attributing the minority-interest share. The differences resulting from that operation (at the date of initial acquisition), where positive, are recognised under intangible assets (after allocation to the subsidiary's assets or liabilities), and, where negative, are recognised through the income statement. Assets, liabilities, income and expenses between consolidated companies are fully eliminated. Changes in the equity interest of a parent in a subsidiary that do not result in the loss of control are accounted for as equity transactions.
Equity investments in joint ventures and associates are accounted for according to the equity method, which requires the initial recognition of the investment at cost and subsequent adjustment according to the interest in the investee's net income or loss after the acquisition date. Goodwill associated with the associate is included in the carrying amount of the equity interest and is not amortised nor separately tested for impairment. The investor's share of the investee's net income or loss for the period is recognised in a specific item of the consolidated income statement. The income statement reflects the share of the net income or loss of the associate or joint venture attributable to the Group. If an associate recognises adjustments directly

through equity, the Group accounts for its share of such adjustments and presents them, where applicable, in the statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and an associate are eliminated in proportion to the equity interest in the associate. After the equity method has been applied, the Group assesses whether there is evidence of impairment, estimating the recoverable amount of the investment by considering the present value of the future cash flows that may be generated by the investment, including the final disposal value. If the recoverable amount is below the carrying amount, the difference is recognised in the income statement.

Section 4 Subsequent events

Please refer to the corresponding section of the report on operations.

Section 5 Other issues

During the year, there were no transactions or events of a non-recurring nature beyond the scope of the ordinary course of business with a material impact on operating and financial position aggregates (Consob Notice No. DEM/6064293 of 28/7/2006), with the exception of the purchase of the minority interests in the subsidiary Banca di Cividale S.p.A. held by Credito Valtellinese, for a total of €73.7 million, with the overall effect of reducing consolidated reserves by approximately €28 million, as well as of the merger of the subsidiaries Banca di Cividale S.p.A. and NordEst Banca S.p.A. into the Parent Company, Banca Popolare di Cividale S.c.p.A., as described in further detail in Chapter G of the notes to the financial statements of the Parent Company. This latter transaction did not have significant effects on the consolidated financial statements.

For the three-year period from 2012 to 2014, the Parent Company and the subsidiary Civileasing S.p.A. adopted the consolidated taxation mechanism. The option, governed by Articles 117 *et seq.* of the Consolidated Income Tax Act (introduced into the tax code by Legislative Decree No. 344/2003), allows income to be taxed at the consolidated level by transferring the tax positions of participating companies to the Parent Company. The option exercised between Banca Popolare di Cividale and its subsidiaries Banca di Cividale S.p.A. and NordestBanca S.p.A. thus expired as a result of the merger.

The consolidated financial statements have been audited by Reconta Ernst & Young.

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section describes the accounting policies adopted in preparing the financial statements for the year ended 31.12.2013 and includes an illustration by item of the criteria for recognition, classification, measurement, derecognition and, where relevant, the criteria for the recognition of income components.

Application of the new IAS 19 Employee Benefits

The amendment to IAS 19, issued by the IASB on 16 June 2011 and endorsed by Regulation (EC) No 475/2012 of 6.6.2012, amending the rules for accounting for defined-benefit plans and termination benefits, entered into effect on 1 January 2013.

In the case of the Banca Popolare di Cividale Group, the new rules apply solely to the accounting treatment of the termination indemnity provision.

The amendment eliminates the option of recognising actuarial gains and losses in profit or loss, instead requiring full recognition in other comprehensive income directly through an equity reserve.

In accordance with IAS 19, the amendments to the accounting standard have been applied retrospectively, starting from the opening accounting balances for 2012.

In this regard, it bears remarking that if the new Standard had been applied to 2012, the Parent Company's net income for that year would have increased by €357 thousand on negative reserves for actuarial losses on defined-benefit plans of €357 thousand, net of the tax effect. Shareholders' equity at 31 December 2012 would not have changed.

1 – Financial assets held for trading

This category includes debt and equity securities held for trading and the positive value of derivative contracts. Derivative contracts also include those embedded in hybrid financial instruments that have been recognised separately because:

- their financial characteristics and risks are not strictly correlated with the characteristics of the host contract;
- the embedded instruments meet the definition of derivative, even when separated; and
- the hybrid instruments are not measured at fair value with changes in fair value recognised through the income statement.

Reclassifications to other categories of financial assets are not permitted except in cases of unusual events that are highly unlikely to recur in the near term. In such cases, debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition have been met (financial assets held to maturity, financial assets available for sale and loans and receivables). The transfer value is the fair value at the time of the reclassification. The presence of any embedded derivative contracts to be separated is assessed upon reclassification.

Initial recognition of financial assets occurs at the settlement date for debt securities and equities and the trade date for derivative contracts. Upon initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument, which are recognised in the income statement.

After initial recognition, financial assets held for trading are measured at fair value. The effects of the application of this measurement criterion are taken to the income statement.

Market prices are used to determine the fair value of financial instruments quoted on active markets. In the absence of an active market, the Group uses estimation methods and valuation models that take account of all risk factors associated with the instruments and that, where possible, are based on data that may be obtained from the market, such as: the valuation of quoted instruments with similar characteristics (comparables method), discounted cash flow analysis, option-pricing models, values reported for of recent comparable transactions (recent transactions method), etc.

Where it is impossible to use the approaches indicated above, the Group adopts estimation methods and valuation models that also contemplate input data not directly available from the market.

Equity securities, units of CIUs that invest in equity securities and derivatives on equity securities not quoted on active markets for which fair value may not be determined reliably according to the foregoing guidelines continue to be carried at cost.

Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. Conversely, if a significant part of the risks and rewards associated with the transferred financial assets has been retained, those assets continue to be carried, even though ownership of the assets has effectively been transferred. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.

Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows from the assets, but assumes a concurrent obligation to remit such cash flows, and only such cash flows, to third parties.

2 – Financial assets available for sale

This category includes non-derivative financial assets not classified as loans and receivables, financial assets held to maturity, financial assets held for trading or designated at fair value. In particular, this category includes not only debt securities not held for trading or classified to the other foregoing portfolios, but also equity interests not managed for trading purposes or classifiable as interests in subsidiaries, associates or joint ventures.

Where allowed by accounting standards, reclassifications are permitted only into the category financial assets held to maturity, except in cases of unusual events that are highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the loans and receivables category if the conditions for their recognition have been met. The transfer value is the fair value at the time of the reclassification.

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.

On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, where allowed by the accounting standards, an asset is recognised following reclassification from financial assets held to maturity or, in rare circumstances, from financial assets held for trading, the recognition value is the fair value as at the time of transfer.

After initial recognition, financial assets available for sale are measured at their fair value by recognising the interest, calculated according to the effective interest rate method for debt securities, in the income statement, while gains or losses deriving from changes in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised or becomes impaired. When the financial asset is sold or impairment is recognised, the cumulative gain or loss must be reversed, in whole or in part, to the income statement.

Fair value is determined on the basis of the criteria illustrated above for financial assets held for trading. Equities and derivative instruments with equities as underlying assets that are not quoted on an active market, the fair value of which may not be determined reliably, continue to be carried at cost.

Financial assets available for sale are assessed to determine whether they show objective evidence of an impairment loss. If such evidence is found to exist, the amount of the loss is measured as the difference between the asset's acquisition cost and its fair value, less any previously recognised impairment losses. If the grounds for impairment cease to apply as a result of an event that occurs after an impairment loss has been recognised, recoveries are recognised in the income statement for loans or debt securities and in shareholders' equity for equities.

Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.

Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

3 – Financial assets held to maturity

Item "50 Financial assets held to maturity" includes non-derivative quoted debt securities with fixed or determinable payments and fixed maturities that the entity actually intends and is able to hold until maturity.

Where allowed by accounting standards, reclassifications are permitted solely into the category financial assets available for sale. Where a material amount of investments classified to this category is sold or reclassified prior to maturity, the remaining financial assets held to maturity are reclassified as financial assets available for sale, and the use of the portfolio in question is restricted for the following two years, unless such sales or reclassifications:

- are so close to the maturity or the call date of the financial asset that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Assets in this category are initially recognised at the settlement date and are measured at their fair value, including directly attributable transaction costs and revenue. If an asset is included in this category due to reclassification from financial assets available for sale or, in rare circumstances, from financial assets held for trading, the asset's reclassification date fair value is taken as its new amortised cost.

After initial recognition, such assets are measured according to the amortised cost method through the effective interest rate approach. Gains or losses associated with financial assets held to maturity are recognised in the income statement when the assets are derecognised or become impaired, and through the amortisation process applicable to the difference between carrying amount and the value reimbursable at maturity. It is periodically assessed whether there is objective evidence that such financial assets have become impaired. If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the income statement. If the grounds for impairment cease to apply due to an event that occurs after such a loss has been recognised, a recovery is recognised through the income statement. The amount of the recovery cannot result in a carrying amount for the financial asset in excess of its amortised cost if no impairment losses had been recognised in previous periods.

Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.

Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

4 – Loans and receivables

Loans and receivables include loans to customers and banks with fixed or determinable payments that are not quoted on an active market. The item also includes commercial loans, repurchase agreements with the obligation a forward resale obligation, receivables originating from finance lease transactions and securities subscribed at issue or via private placements, with fixed or determinable payments and not quoted in active markets.

Loans and receivables are initially recognised on the date the contract is signed, which normally coincides with the date of disbursement, while debt securities are recognised on the settlement date. A loan or receivable is recognised according to its fair value, which is equal to the amount disbursed or the subscription price, including any costs or revenues directly attributable to the individual loan or receivable and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded. If in certain rare circumstances an asset is included in this category due to reclassification from financial assets available for sale or from financial assets held for trading, the asset's reclassification date fair value is taken as its new amortised cost.

After initial recognition, loans and receivables are measured at amortised cost, which is equal to their initial value increased or decreased by principal repayments, adjustments or recoveries and amortisation – calculated according to the effective interest method – of the difference between the amount disbursed and the amount to be repaid at maturity, typically attributable to the costs/revenues directly connected to the single loan or receivable. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan or receivable, by way of principal and interest, to the amount disbursed, including the costs/revenues attributable to the loan or receivable.

The amortised cost method is not used for loans or receivables for which application of the discounting approach may be deemed immaterial due to their short durations. Such loans or receivables are measured at their historical cost. An analogous measurement criterion is applied to loans or receivables with an unspecified maturity or with a notice period.

Loans and receivables are tested to identify those that show objective evidence of possible impairment as a result of events after initial recognition.

These include loans and receivables classified as bad debts, substandard loans, restructured loans and past-due positions according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations. Such non-performing loans and receivables are measured separately, or according to the expected loss for homogenous categories and analytical allocation to each position, and the amount of the adjustment of each loan or receivable is the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.

Expected cash flows account for expected recovery periods, the presumed realisable value of guarantees and estimated debt-recovery costs. The adjustment is recognised in the income statement.

The original amount of a loan or receivable is recovered in subsequent periods to the extent that the grounds for impairment cease to apply, provided that such valuation is objectively attributed to an event after the impairment loss. The recovery is recognised in the income statement and cannot result in a carrying amount for the loan or receivable in excess of its amortised cost if no impairment losses had been recognised in previous periods. Recoveries on impairment include time-value effects.

The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower’s financial situation, provided that the interest rate applied is a market rate at the renegotiation date. When renegotiations are granted to borrowers suffering from a deterioration in their financial situation, exposures are classified under non-performing loans.

Loans or receivables for which no objective evidence of loss has emerged from individual testing are tested collectively. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at the measurement date, which allow the latent loss for each loan category to be estimated. Measurement also considers the risk connected to the borrower’s country of residence. Collective adjustments are recognised through the income statement.

Transferred loans and receivables are only derecognised if they are transferred along with substantially all risks and rewards of ownership. If it cannot be determined that substantially all risks and rewards have been transferred, loans and receivables are derecognised provided that no control has been retained. If this is not the case, continuing control, including partial control, results in the entity continuing to carry the loans and receivables to the extent of its continuing involvement, measured as the entity's exposure to changes in the value of the transferred loans and receivables and changes in the associated cash flows.

Lastly, transferred loans are derecognised if the entity retains the contractual rights to receive the cash flows from the loan or receivables, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

5 – Hedging transactions

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items attributable to a certain risk where the risk event should occur.

The only hedges that have been used are fair-value hedges, which are intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a specific risk. This type of hedging is also used to hedge the market risk (specifically, interest-rate risk) on fixed-rate or structured bonds.

Hedging derivatives are initially recognised at their fair values.

Changes in the fair value of interest rate hedging derivatives are recognised in the income statement among finance expenses. Changes in the fair value of hedging instruments attributed to the hedged item are recognised as part of the carrying amount of the hedged item and are also recognised in the income statement among finance expenses. Any difference, representing the partial ineffectiveness of the hedge, is therefore the net financial effect.

When a hedging transaction is undertaken, the Group designates and formally documents the hedging relationship to which it intends to apply hedge accounting when the hedge commences and, if the hedge is effective, prospectively through the life of the hedge. Documentation includes an identification of the hedging instrument, the hedged item or transaction, the nature of the risk and the methods the entity intends to use to assess the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in fair value or cash flows attributable to the hedged risk. Assessments of whether such hedges have proved highly effective are conducted on an ongoing basis during the years for which the hedges have been designated. Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge; and
- retrospective tests, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified to financial assets held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

6 – Equity investments

The item includes investments in joint ventures and associates, which are accounted for according to the equity method.

Companies are considered joint ventures when the voting rights and the control of the economic activities of the company are equally shared, directly or indirectly, with another entity.

Companies are considered associates, that is, subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20% of voting rights, or if the Parent Company holds a lesser equity stake but has the power to participate in determining the company's financial and operational policies due to specific legal relationships such as participation in shareholders' agreements.

Where there is evidence of impairment, the recoverable amount of an investment is estimated, considering the present value of the future cash flows that may be generated by the investment, including the final disposal value.

If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement. If the grounds for impairment cease to apply due to an event that occurs after such a loss has been recognised, a recovery is recognised through the income statement.

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is transferred along with substantially all the associated risks and rewards.

7 – Property, plant and equipment

Property, plant and equipment includes land, buildings used in operations, technical plant, furniture, fixtures and equipment of all types. They are tangible items that are held for use in the production or supply of goods or services and are expected to be used during more than one period. Property, plant and equipment are initially recognised at cost, which also includes any expenses directly attributable to purchasing or commissioning the asset. Extraordinary maintenance expenses that increase the future economic benefits are allocated to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

Items of property, plant and equipment are then measured at cost less accumulated appreciation, including any impairment losses or recoveries.

Property, plant and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount consists of the cost of the assets less their estimated residual value at the end of the depreciation period. Buildings are amortised at a rate deemed appropriate to account for the deterioration of the assets over time due to use. By contrast, land is not depreciated, irrespectively of whether it is acquired individually or embedded in the value of buildings, since it has an indefinite useful life. Each asset's residual amount, useful life and depreciation methods are revised at the end of each year and, where necessary, adjusted on a prospective basis.

If there is evidence that an asset may have become impaired, the carrying value and recoverable amount of the asset are compared. Any impairment losses are recognised in the income statement. If the grounds for impairment cease to apply, a recovery is recognised, in an amount that may not exceed the asset's value net of depreciation charges, in the absence of any previous impairment losses.

Items of property, plant and equipment are derecognised on disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected to flow from its disposal.

8 – Intangible assets

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Goodwill, which represents the positive difference between the purchase cost and the fair value of an acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. Where this is not the case, the cost of an intangible asset is recognised in the income statement in the year in which it is incurred.

For assets with finite useful lives, cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected to flow from the asset.

Assets with indefinite useful lives are not subject to systematic amortisation, but rather periodically tested for impairment. If there is any evidence that an asset may have become impairment, that asset's recoverable amount is estimated. The impairment loss, which is recognised through the income statement, is equal to the difference between the carrying amount and recoverable amount of the asset.

In particular, intangible assets include:

- technology-related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years; and
- goodwill.

Goodwill may be recognised when the positive difference between the fair value of the shareholders' equity acquired and the purchase price or initial recognition amount (inclusive of accessory costs) is representative of the equity investment's future income-generating potential. If the difference is negative (badwill), or if goodwill is not justified by the entity's future income-generating potential, it is recognised directly through the income statement.

Goodwill is tested for impairment annually (or whenever there is evidence of impairment). The amount of an impairment loss is determined on the basis of the difference between the carrying amount of goodwill and the recoverable amount of the CGU to which the goodwill has been allocated, if lower. The recoverable amount is equal to the greater of the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are recognised through the income statement.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to flow from the use or disposal of the asset.

9 – Current and deferred taxation

Income tax, calculated according to the national tax code, is accounted for as a cost on an accruals basis, in a manner consistent with the method applied to account for the costs and revenue that give rise to the tax. It thus represents the balance of current and deferred taxation relating to the net income or loss for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these items include the net balance of current tax liabilities for the year, calculated on the basis of a conservative estimate of the tax charges due for the year, assessed according to the tax code currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes paid or tax credits from previous years that the Bank claimed against taxes payable in future years. Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.

Considering the Group's adoption of the national tax consolidation mechanism, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years. Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are set off against one another.

If deferred tax assets and liabilities refer to items affecting the income statement, they are recognised through income taxes.

Deferred tax liabilities associated with companies included in the scope of tax consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

10 – Provisions

Provisions are recognised to account for liabilities the amount or timing of which is uncertain, if and only if:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the probable future outlay can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance-sheet date and reflects the risks and uncertainties that inevitably surround various events and circumstances. Provisions and increases due to the time factor are recognised in the income statement. Provisions are released when it becomes unlikely that resources capable of yielding economic benefits will need to be expended in order to discharge the obligation or when the obligation is extinguished. Provisions include those for long-term and post-employment benefits within the scope of IAS 19 and provisions for risks and contingencies within the scope of IAS 37. Provisions do not include impairment losses recognised on the deterioration of guarantees, credit derivatives and similar items pursuant to IAS 39, which instead are recognised under "Other liabilities." The sub-item "Other provisions" includes amounts accrued to account for presumed losses in lawsuits in which an entity is a defendant, including revocatory actions, estimated outlays under complaints filed by customers concerning securities brokerage operations and a reliable estimate of other outlays in connection with any other legal or constructive obligation as at the end of the year or interim period.

Where the time factor is significant, provisions are discounted using current market rates. The discounting effect and the increase in provisions due to the passage of time are recognised through the income statement.

11 – Debt and debt securities issued

Amounts due to banks, amounts due to customers and debt securities issued include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of bonds and other debt securities, net of any amounts repurchased.

Such financial liabilities are initially recognised on the date on which the contract is signed, which normally coincides with the moment of receipt of the sums deposited or the issuance of the debt securities. Financial liabilities are initially measured at their fair value, plus directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost according to the effective interest method. An exception is made for short-term liabilities, where the time factor is immaterial, which are stated at collected amount.

Financial liabilities, or parts of such liabilities, are derecognised when they are extinguished, that is when the obligation is discharged or cancelled or expires. Such assets are also derecognised when they are repurchased on the market. Derecognition is based on the fair value of the component issued and the component repurchased at the purchase date. Any gains or losses deriving from the transaction, depending on whether the recognised amount of the repurchased component is greater or less than the purchase price, are recognised through the income statement. If a security is then placed again, this transaction is treated as a new issue and is recognised at the new placement price.

12 – Financial liabilities held for trading

Liabilities held for trading are represented by derivative financial instruments held for trading that present a negative fair value and have not been designated hedging instruments in a hedging relationship as defined by IAS 39. All liabilities held for trading are designated at fair value through the income statement.

13 – Foreign-currency transactions

Foreign-currency transactions are initially recognised in the functional currency using the applicable exchange rate on the transaction date. At every subsequent balance-sheet date:

- monetary items are translated at the exchange rate prevailing at the balance-sheet date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date; and
- non-monetary items designated at fair value are translated using the exchange rate prevailing at the date the fair value was determined.

A monetary item is the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Conversely, the fundamental characteristic of non-monetary items is the absence of the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Translation differences relating to monetary items are recognised through the income statement when they arise, whereas those relating to non-monetary items are recognised through shareholders' equity or the income statement, depending on the manner in which the gains or losses that include this component are recognised. Costs and revenues in foreign currencies are measured at the exchange rate prevailing at the date of recognition or, if they have yet to accrue fully, at the exchange rate prevailing at the balance-sheet date.

14 – Other information

Business combinations

IFRS 3 (Revised) defines a business combination as a transaction or other event in which an acquirer obtains control of a business consisting of an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return. Business combinations thus include acquisitions of interests in subsidiaries, mergers, acquisitions of business branches, etc. IFRS 3 requires that all business combinations that fall within its scope of application are to be accounted for according to the acquisition method. For each business combination, one of the entities participating in the combination must be identified as the acquirer, defined as the entity that obtains control of another entity or group of businesses. Control is the power to govern the financial and operating policies of an entity or business so as to obtain the benefits from its activities. Control is obtained when more than one-half of voting rights is acquired. It is possible to acquire control even in the absence of one-half of voting rights if the entity obtains power:

- over one-half of voting rights under an agreement with other investors;
- to govern the financial and operating policies of the other entity under a charter or agreement;
- to appoint or replace the majority of the members of the other entity's governing body;
- to dispose of the majority of votes in meetings of the body charged with governing the company.

Although in some cases it may be difficult to identify an acquirer, there are normally situations that indicate the existence of an acquirer. In a business combination effected primarily by transferring cash or other assets, or by incurring liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. Other pertinent facts shall also be considered, including:

- the relative voting rights in the combined entity after the business combination;
- the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest;
- the composition of the governing body of the combined entity;
- the composition of the senior management of the combined entity;
- the terms of the exchange of equity interests.

The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities. In addition, in a business

combination involving more than two entities, determining the acquirer shall include a consideration of, among other things, which of the combining entities initiated the combination, as well as the relative size of the combining entities.
The acquisition date is the date on which the acquirer obtains control of the acquiree and is the date from which the acquiree is consolidated in the acquiree's financial statements. When a business combination is effected in a single exchange, the date of the exchange is the acquisition date. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer to the former owners of the acquiree, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. The consideration that the acquiree transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement.
Acquisition-related costs are costs that the acquirer incurs to effect a business combination. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received, with the exception of the costs to issue debt or equity securities, which shall be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for by applying the "acquisition method," whereby the identifiable assets acquired, including any intangible assets not previously recognised by the acquiree, and the identifiable liabilities assumed are recognised at their acquisition-date fair value. The fair value of the acquiree's assets, liabilities and contingent liabilities may be provisionally determined by the end of the year in which the combination is undertaken and must be finalised within twelve months of acquisition date.
If control is obtained through subsequent purchases, the acquirer must re-measure its previously held equity interest in the acquiree at the acquisition-date fair value and recognise the difference compared to the previous carrying amount, if any, in profit or loss.
The acquirer shall recognise goodwill on the acquisition date by measuring it as the amount by which the sum of the consideration transferred, the amount of any minority equity interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the equity interests in the acquiree previously held by the acquiree, exceeds the net amounts, determined at the acquisition date, of the identifiable assets acquired and identifiable liabilities assumed, measured on the basis of the above. If a negative difference is found to exist, that difference is recognised in profit or loss. For each business combination, minority interests in the acquiree, where existing, may be recognised at fair value, with the ensuing increase in the consideration transferred, or in proportion to the minority interest in the acquiree's identifiable net assets. In accounting for the transactions undertaken, the Group has recognised the minority interests in proportion to the minority share of the acquiree's identifiable net assets, without increasing the consideration transferred, and thus by recognising solely the portion of goodwill attributable to it.
Following the acquisition of control of a company, additional equity interests are accounted for by recognising the difference between the acquisition costs and carrying amounts of the minority interests acquired in Group equity. In a like manner, sales of minority interests not involving a loss of control do not generate gains or losses in the income statement, but rather changes in the Group's equity.
Business combinations between entities subject to common control are outside the scope of IFRS 3. In the absence of specific provisions of IASs/IFRSs, IAS 8 requires that entities use their judgment in applying an accounting standard that provides relevant, reliable and prudent information and reflects the economic substance of the transactions. Combinations of this nature, which are normally carried out in the context of company reorganisation projects, are thus accounted for by preserving the continuity of the acquiree's values in the acquirer's financial statements. In particular, the values of the assets acquired and liabilities assumed have been recognised on the basis of the values presented in the consolidated financial statements of the common group to which the combining entities belong.

Business combinations between entities under common control
Business combinations between entities under common control do not fall within the scope of application of International Financial Reporting Standard (IFRS) 3, nor are they governed by the other IFRSs. Accordingly, such transactions are subject to the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
IASs/IFRSs contain specific guidelines to be followed when a transaction is not within the scope of IFRSs, as described in paragraphs 10-12 of IAS 8, which require that the Directors also take account of the most recent pronouncements of other standard-setting bodies that use a similar conceptual structure for the definition of accounting standards.

In this regard, it may be observed that the Financial Accounting Standards Board (FASB) has published an accounting standard governing business combinations (FAS 141), which in various regards is similar to IFRS 3, but differently from that Standard includes, in an appendix, limited accounting guidelines applicable to common control transactions, previously described in Accounting Principles Board (APB) Opinion 16. In cases of transactions of this kind, the method ("pooling of interest") calls for assets and liabilities to be recognised at historical (book) values of the merged companies, rather than at their respective fair values, without the recognition of goodwill.

This solution has essentially been adopted at the national level by Assirevi, in its document OPI No. 1 concerning the accounting treatment of "business combination of entities under common control" and OPI No. 2 concerning the accounting treatment of mergers.

Within the Banca Popolare di Cividale Group, "intragroup" business combinations, or other business combinations between "entities under common control" are thus undertaken on the basis of the book value of the transferred entities. If the consideration paid for the acquisition of the equity interest differs from the book value of the transferred entity, owing to the goodwill recognised, the difference is deducted from the acquirer's equity and the transaction is treated on a par with an extraordinary allocation of reserves.

Employee termination benefits

As a result of the entry into force of the 2007 Finance Act, which advanced to 1 January 2007 the effective date of the reform of supplementary pension schemes enacted in Legislative Decree No. 252 of 5 December 2005, employee termination benefits consist solely of sums accrued through 31 December 2006.

In further detail, portions of employee termination benefits accrued from 1 January 2007 are considered "defined-contribution plans" for accounting purposes in accordance with IAS 19. The expense is limited to the contribution defined by the provisions of the Italian Civil Code, without the need to apply any actuarial approach.

Conversely, the provision for employee termination benefits accrued as at 31 December 2006 continues to be considered a defined-benefit plan for accounting purposes in accordance with IAS 19. However, the liability associated with employee termination benefits is subject to actuarial assessment without pro-rating service rendered inasmuch as the service to be assessed may be considered fully accrued.

All actuarial gains and losses on defined-benefit plans are recognised immediately through other comprehensive income. Such actuarial gains and losses arise as the result of adjustments to previous actuarial assumptions due to actual experience or the modification of those assumptions. They are allocated to a specific equity reserve.

Guarantees and commitments

Guarantees issued are initially recognised at fair value, represented by the commission received, and then measured at the higher of the estimated obligation determined in accordance with IAS 37 and the amount initially recognised, gradually reduced by the portion attributable to the period. The total nominal value, excluding any uses made of guarantees issued, is shown in the notes to the financial statements.

Commitments are recognised according to the best estimate of the obligation determined in compliance with IAS 37. The total amount of commitments assumed is disclosed in the notes to the financial statements.

Recognition of revenue and costs

Revenues arising from the use by third parties of an entity's assets that generate interest, commissions or dividends are recognised when it is probable that the economic benefits from a given transaction will flow to the entity and the amount of revenue can be determined reliably. Interest and commissions are recognised through the income statement according to the classification of the financial instrument to which they refer, whereas dividends are recognised when shareholders become entitled to receive payment. Other commissions are recorded on an accrual basis.

Costs are recognised when they are incurred by following the principle of the correlation of costs and revenue that arise directly and jointly from the same transactions or events. If costs and revenue may only be correlated generically and indirectly, the costs are recognised over multiple periods according to a systematic allocation approach. When costs may not be associated with revenue, they are immediately recognised through the income statement.

Use of estimates and assumptions in preparing the annual financial statements

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

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

Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments founded upon the use of all available information and past experience.

Determining the fair value of financial instruments

The introduction of IFRS 13 modified the definition of fair value with respect to that provided in IAS 39, taking a more market-based approach.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) on the primary market (or the most advantageous market), regardless of whether that price is directly observable or estimated through a valuation technique. Fair value is applied individually to all financial assets or financial liabilities. Exceptionally, it may be estimated at the portfolio level if the management and risk monitoring strategy so allow and are adequately documented.

For the details of techniques for measuring (on a recurring and non-recurring basis) the fair value of financial instruments, as well as the classification of such instruments in fair value hierarchy levels, refer to section A.4 of the notes.

Determining amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or until the repricing date. To calculate present value, the effective interest rate is applied to the future cash payments or receipts over the entire useful life of the financial asset or financial liability – or a shorter period if certain conditions have been met (for example, the revision of market rates).

After initial recognition, amortised cost allows the revenues and costs deducted from or added to the instrument to be allocated over that instrument's entire expected life through the amortisation process. Amortised cost is determined differently depending on whether the financial asset or financial liability to be measured is fixed-rate or floating-rate and, in the latter case, whether the range of rate fluctuation is known in advance. For instruments with fixed rates or fixed rates by time bands, future cash flows are quantified according to the known interest rate (single or floating) over the life of the loan. For floating-rate financial assets or financial liabilities, the range of fluctuation of which is not known in advance (for example, because it is linked to an index), cash flows are determined according to the most recent known rate. Whenever the rate is revised, the repayment schedule and effective interest rate are recalculated over the entire useful life of the instrument, i.e. through its maturity date. The adjustment is recognised as income or expense in the income statement.

Loans, financial assets held to maturity, amounts due to customers and banks and debt securities issued are measured at amortised cost.

Financial assets and financial liabilities traded at arm's length conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid, including directly attributable transaction costs and commissions in the case of instruments measured at amortised cost.

Transaction costs are internal or external marginal costs and income attributable to the issuance, acquisition or disposal of a financial instrument that may not be charged back to the customer. Such commissions, which must be directly attributable to the individual financial asset or financial liability concerned, affect the original effective return and result in a difference between the effective interest rate associated with the transaction and the contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as commissions for retrocession, non-use or early redemption.

Hedged financial assets and financial liabilities are not measured at amortised cost. Rather, changes in fair value associated with the hedged risk are recognised in the income statement (as limited to the hedged risk). However, measurement of such financial instruments at amortised cost resumes if the hedge ceases to exist, at which time all previously recognised changes in fair value are amortised, calculating a new effective interest rate that contemplates the value of the loan, adjusted for the fair value of the hedged portion, through the originally expected maturity of the hedge. In addition, as discussed above in the section concerning the measurement of loans, amounts due to banks and customers and debt securities issued, measurement at amortised cost does not apply either to financial assets and financial liabilities whose brief duration leads to the belief that the economic effect of discounting would be negligible, or to loans without a fixed maturity date and demand loans.

Determining impairment losses

At each reporting date, financial assets not classified as financial assets held for trading and financial assets designated at fair value are tested for impairment in order to determine whether there is objective evidence that the carrying amount of the assets may not be fully recoverable.

An asset has become impaired if there is objective evidence of a reduction in future cash flows compared to original estimates as a result of specific events. The loss must be able to be determined reliably and must be correlated with actual and not merely expected events.

Impairment testing is conducted on a separate basis for financial assets that present specific evidence of impairment losses and on a collective basis for financial assets for which separate testing is not required or for which separate testing does not indicate that impairment had occurred. Collective testing is based on grouping financial assets into homogeneous risk classes in reference to the characteristics of the debtor/issuer, business sector, geographical area, collateral and other relevant factors.

For information regarding loans to customers and loans to banks, the reader is referred to the section concerning loans.

The impairment testing process for available-for-sale assets involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses.

Impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore of a qualitative nature, and, for equities, external indicators of a quantitative nature deriving from the market values of the company.

The following are factors considered relevant in the first category of indicators: the reporting of a net loss or a significant divergence from budget targets or targets set in long-term plans disclosed to the market, the announcement or commencement of bankruptcy procedures or restructuring plans and downgrading by a rating agency by more than two classes. In the second category, a significant or extended reduction in fair value below the amount at initial recognition is relevant. In further detail, a reduction in fair value is considered significant if it amounts to more than 30% and extended if it persists for a consecutive period of more than 24 months. If one of the above thresholds has been exceeded, an impairment loss is recognised on the security. If neither of the above thresholds has been exceeded, but there are other indicators of impairment, the impairment loss must also be corroborated by the results of specific analyses of the security and the investment.

The amount of an impairment loss is determined in reference to the fair value of the financial asset.

For information concerning the methods used to determine fair value, the reader is referred to the relevant section.

A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

In 2013 the Group did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39. The following table presents the disclosure of the residual carrying amounts of assets reclassified in previous years at 31 December 2013, the fair values of those assets, the income components registered during the period and the effects on the income statement that would have occurred if the assets had not been transferred.

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2011	Fair value at 31.12.2011	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Units in collective investment undertakings*	HFT	AFS	-	-	-	-	-	-
Debt securities	HFT	LOANS	3.777	3.777	-	3	-	3
Total			**3.777**	**3.777**	**-**	**3**	**-**	**3**

Chapter A.4 – INFORMATION ABOUT FAIR VALUE

QUALITATIVE DISCLOSURES

This section includes a disclosure regarding the method of determining fair value adopted by the Banca Popolare di Cividale Banking Group through the approval of a specific policy, as well as of the methods of classifying instruments designated at fair value (on a recurring and non-recurring basis) within the fair-value hierarchy in accordance with IFRS 13.
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) on the primary market (or the most advantageous market), regardless of whether that price is directly observable or estimated through a valuation technique.

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

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

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

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

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

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

IFRS 13 thus does not provide a precise definition of an "active market" and does not explain how to determine whether a market is active. The following interpretations that we have prepared are thus plausible:

- quoted: the quoting process must meet the condition of effective exchange on the markets;
- promptly and regularly available for exchange between dealers, brokers, industrial groups, pricing services and regulatory agencies: the frequency and updating of prices must be defined on the basis of the individual type of financial instrument;
- representative of current, recurring market transactions under normal conditions: the price must be defined under normal transaction conditions (excluding, for example, compulsory liquidation); to this end, it may be useful to consider parameters such as:
  - the frequency and volumes of daily trading;
  - the bid-ask spread;
  - volatility;
  - the number of transaction participants: the number must be such that an individual operator does not have a significant impact on the instrument's price;

- o the volume of individual trades executed;
- o the frequency of quotations;
- o the location of the market;
- o the existence of futures/forward markets for contracts;
- o settlement conditions; and
- o market quality.

It is also helpful to consider the following when determining whether a market is active:

- ➢ the definition of an "active market" is a process that is developed internally by each entity in accordance with the indications provided in IFRSs and its own internal policies.
- ➢ The various markets and different instrument types must be analysed separately.
- ➢ The presence of brokers and trading systems, and each entity's ability to interface with such brokers and systems, must be considered for each market.
- ➢ The analysis must consider all activities performed on the market.
- ➢ The time required to close a transaction must also be considered.
- ➢ The data employed must be credible and verifiable.

On the basis of the foregoing considerations, the Bank has developed a framework for identifying active markets specific to the various types of financial instruments.
In addition, the Bank uses the bid prices of assets and the ask prices of liabilities as the fair values of financial instruments quoted on active markets.

Bonds and securitisations
A market is considered active in the following three cases, presented in hierarchical order:

1. Listing on the MOT, EUROMOT, MTS, EUROMTS, TLX, or EUROTLX circuits;
2. The info-provider Bloomberg quotes CBBT prices (executable prices):
- o there must be at least three bid and ask contributors;
- o the prices of fixed-rate securities may not remain the same for more than three days; and
- o the prices of floating-rate securities may not remain the same for more than 20 days.
3. Executable prices are quoted on alternative platforms (e.g. Markit):
- o there must be at least three bid and ask contributors for bonds and convertible bonds and at least five contributors for securitisations;
- o the prices of fixed-rate securities may not remain the same for more than three days; and
- o the prices of floating-rate securities may not remain the same for more than 20 days.

Equities
The official market or the exchange on which a security is quoted is considered an active market.

CIUs, hedge funds, ETFs and ETCs
The exchange of listing on which the prices of ETFs and ETCs are published are considered an active market.

Quoted derivatives
The exchange of quotation is considered an active market. Spot exchange transactions are also considered quoted on an active market.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used
Financial instruments measured at fair value on a recurring basis
If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a valuation technique (mark-to-model), by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.
If this valuation technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.
In further detail, with respect to the adoption of a valuation model (mark-to-model), in order for an instrument to be classified to level 2, all model input data that have a substantive effect on the overall measurement of the instrument must be able to be obtained or derived from the market and represent all risk factors that affect the valuation of the instrument concerned (interest rates, exchange rates, credit spreads, market volatility,

etc.). Input data may refer to the instrument concerned or, where such data is unavailable, to instruments deemed comparable (under the comparable approach). For certain instrument types (e.g. shares), the comparable approach also includes recent relevant transactions involving the instrument or similar products. On the other hand, where the instrument is not quoted, or is quoted on a market not considered active, and the adoption of a valuation model (mark-to-model) is thus required, the instrument is classified to fair value level 3 if at least one of the model inputs (with a material impact on the instrument's overall valuation) may not be obtained or derived from the market, but rather must be estimated by the valuer (e.g., application of methods for estimating projected future cash flow, repayment schedules or correlations between underlying for options or structured products).

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

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

A.4.2 Valuation processes and sensitivity
In cases of recurring fair value measurement of assets classified to level 3 of the fair value hierarchy, IFRS 13 requires that a narrative description be provided of the sensitivity of the fair value measurement to changes in unobservable inputs, where a change in such inputs entails a significantly higher or lower fair value measurement.
In this regard, it bears noting that this did not occur for L3 financial instruments classified to the AFS portfolio. Unobservable inputs capable of influencing the measurement of instruments classified as level 3 primarily consist of estimates and assumptions underlying the models used to measure investments in equities and CIUs. For such investments, no quantitative analysis of the sensitivity of fair value to changes in non-observable inputs was conducted inasmuch as fair value is the result of a model the inputs for which are specific to the entity being measured (for example, asset and liability values of companies for which it is not reasonable to envisage alternative values).

A.4.3 Fair-value hierarchy
Building on IFRS 7, IFRS 13 requires that entities that apply international accounting standards in the preparation of their financial statements provide adequate disclosure of the fair value measurements used for each class of financial instruments, and in further detail:
1) the level of the fair value hierarchy to which the measurements belong, separating instruments belonging to different categories;
2) significant transfers from level 1 to level 2 during the year;
3) for instruments measured at level 3, a reconciliation of opening and closing balances with an indication of changes due to profits and losses (in the income statement or equity), purchases and sales and transfers out of the category L3 due to the use of market data.
In this regard, it bears remarking that transfers between levels are undertaken with regard to the value at the end of the reporting period of reference (semi-annual or annual) and in an independent manner, and generally enter into effect at the beginning of the year concerned.
Transfers to and from L3 are infrequent and primarily relate to the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the position takes on primary importance.

A.4.4 Other information

The circumstances envisaged in IFRS 13 § 51, 93 (i) and 96 do not apply.

QUANTITATIVE DISCLOSURES

A.4.5 Fair-value hierarchy

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

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	31/12/2013			31/12/2012		
Financial assets / liabilities at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	18	2.623	-	21	11.177	-
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	1.376.714	20.250	75.167	1.295.617	27.055	70.693
4. Hedging derivatives	-	-	-	-	-	-
Total	**1.376.733**	**22.873**	**75.167**	**1.295.638**	**38.232**	**70.693**
1. Financial liabilities held for trading	-	965	-	-	2.073	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	2.915	-
Total	**-**	**965**	**-**	**-**	**4.988**	**-**

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

A.4.5.2 Annual changes in financial assets designated at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	Designated at fair value through profit or loss	Available for sale	For hedging purposes
1. Opening balance	**-**	**-**	**70.693**	**-**
2. Increasese	**-**	**-**	**15.228**	**-**
2.1. Purchases	-	-	12.851	-
2.2. Gains recognised in:	-	-	-	-
2.2.1.Income statement	-	-	-	-
- of which capital gains	-	-	2	-
2.2.2. Shareholders' equity	-	-	2.323	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	52	-
3. Decreases	**-**	**-**	**10.754**	-
3.1. Sales	-	-	89	-
3.2. Redemptions	-	-	-	-
3.3 Losses recognized in:	-	-	-	-
3.3.1. Income statement	-	-	8.923	-
- of which capital losses	-	-	8.450	-
3.3.2. Shareholders' equity	-	-	1.670	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	72	-
4. Closing balance	**-**	**-**	**75.167**	-

A.4.5.3 Annual changes in financial liabilities designated at fair value (level 3)

None of the items in the table, provided for by the Bank of Italy, A.4.5.3 “Annual changes in financial assets designated at fair value (level 3)” presents values.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2013				31/12/2012	
	VB	L1	L2	L3	VB	VF
1. HTM financial assets	105.413	105.413	-	-	104.107	104.107
2. Loans to banks	163.750	-	33.870	128.988	383.227	380.308
3. Loans to customers	3.113.834	-	-	3.113.834	3.182.832	3.527.623
4. Property and equipment held as investments	9.555	-	-	9.555	12.392	12.392
5. Non-current assets available for sale	-	-	-	-	-	-
Total	**3.392.551**	**105.413**	**33.870**	**3.252.377**	**3.682.559**	**4.024.430**
1. Due to banks	1.010.863	-	-	1.010.863	970.236	910.448
2. Due to customers	2.968.412	-	-	2.957.656	2.680.797	2.676.531
3. Securities issued	79.989	-	-	79.989	1.107.135	1.107.135
4. Liabilities associated to assets held for sale	0	-	-	-	-	-
Total	**4.059.264**	**-**	**-**	**4.048.508**	**4.758.168**	**4.694.114**

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

The composition by fair value level is not provided for 2012 inasmuch as the disclosure is not required by IFRS 13, which entered into effect in 2013 and is applicable prospectively.

A.5 - DAY-ONE PROFIT/LOSS

Considering the composition of the financial instruments portfolio and the results of the analyses performed, no significant amounts of day-one profit were identified (“day-one profit” is defined as the difference, upon initial recognition, not immediately recognised in the income statement pursuant to IAS 39 AG 76 and AG 76A, between the transaction price and value obtained through the use of valuation techniques based on non-market inputs).

Chapter B – NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - item 10

1.1 *Cash and cash equivalents: composition*

	31/12/2013	31/12/2012	%
a) Cash	20.021	25.501	-21,5%
b) Free deposits w ith central banks	-	-	-
Total	**20.021**	**25.501**	**-21,5%**

Section 2 - Financial assets held for trading - item 20

2.1 Financial assets held for trading: composition by type

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
A. Cash assets							
1. Debt securities	1	2.623	-	21	8.999	-	-70,9%
1.1 structured securities	-	-	-	-	-	-	-
1.2 other debt securities	1	2.623	-	21	8.999	-	-70,9%
2. Equities	18	-	-	0	1	-	950,8%
3. Quotas of UCI	-	-	-	-	-	-	0,0%
4. Loans	-	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-
Total A	**18**	**2.623**	**-**	**21**	**9.000**	**-**	**-70,7%**
B. Derivatives							
1. Financial derivatives	-	871	-	-	2.177	-	-60,0%
1.1 trading	-	871	-	-	2.177	-	-60,0%
1.2 fair value option	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total	**-**	**871**	**-**	**-**	**2.177**	**-**	**-60,0%**
TOTAL (A+B)	**18**	**3.494**	**-**	**21**	**11.177**	**-**	**-68,6%**

2.2 Financial assets held for trading: composition by borrower/issuer

	31/12/2013	31/12/2012	%
A. ON-BALANCE-SHEET FINANCIAL ASSETS			
1. Debt securities	**2.624**	**9.020**	**-70,9%**
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	377	5.114	-92,6%
d) Other issuers	2.247	3.906	-42,5%
2. Equity securities	**18**	**1**	**1653,0%**
a) Banks	-	-	-
b) Other issuers	18	1	1653,0%
- insurance undertakings	-	-	-
- financial companies	-	-	-
- non-financial companies	18	1	1653,0%
- other	-	-	-
3. Units in collective investment undertakings	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total (A)	**2.642**	**9.021**	**-70,7%**
B. DERIVATIVES	**871**	**2.177**	**-60,0%**
a) Banks	155	1.190	-86,9%
b) Customers	715	987	-27,5%
Total (B)	**871**	**2.177**	**-60,0%**
Total (A + B)	**3.512**	**11.198**	**-68,6%**

2.3 Financial assets held for trading: annual changes in on-balance sheet assets

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total 31/12/13
A. Opening balance	9.023	-	-	-	9.023
B. Increases	239.684	4.500	2.395	-	246.579
B1. Purchases	239.020	4.438	2.361	-	245.819
of which: business combinations					
B2.Fair value gains	6	-	-	-	6
B3. Other changes	658	62	34	-	754
C. Decreases	246.083	4.482	2.395	-	252.960
C1. Sales	244.007	4.481	2.395	-	250.883
of which: business combinations					
C2. Redemptions	1.453	-	-	-	1.453
C3. Fair value losses	469	-	-	-	469
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other changes	154	1	-	-	155
D. Closing balance	2.624	18	-	-	2.642

Section 3 - Financial assets designated at fair value - item 30

This section does not apply to the Banca Popolare di Cividale S.c.p.A. Group.

Section 4 - Financial assets available for sale - item 40

4.1 Financial assets available for sale: composition by type

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	1.376.433	20.250	-	1.295.598	20.815	-	6,1%
1.1 Structured securities	-	-	-	-	-	-	-
1.2 Other debt securities	1.376.433	20.250	-	1.295.598	20.815	-	6,1%
2. Equities	254	-	58.627	-	-	65.651	-10,3%
2.1 Measured at fair value	254	-	58.627	-	-	65.606	-10,3%
2.2 Measured at cost	-	-	-	-	-	45	-100,0%
3. Units in collective investment undertakings	27	-	16.541	18	6.240	5.042	46,6%
4. Loans	-	-	-	-	-	-	-
TOTAL	**1.376.714**	**20.250**	**75.167**	**1.295.617**	**27.055**	**70.693**	**5,7%**

The Bank does not hold equities quoted in active markets in its portfolio. It should be noted that, as illustrated above in Chapter A of these notes, unquoted equities the fair value of which may not be determined in a reliable or verifiable manner are carried at cost, adjusted to account for impairment losses. The following is a detailed list of equities.

Composition of financial assets available for sale (equities)

Financial assets available for sale		% holding	Number of share or units	Nominal value	Book value
Banca Popolare di Cividale Scpa	ICBPI SPA	5,14%	729.577	2.189	34.203
Banca Popolare di Cividale Scpa	SIA SPA	0,01%	15.179	2	8
Banca Popolare di Cividale Scpa	BANKADATI SERV. INF.	2,00%	10.000	50	70
Banca Popolare di Cividale Scpa	UNIONE FIDUCIARIA SPA	0,10%	1.080	6	7
Banca Popolare di Cividale Scpa	FRIULIA SPA	1,33%	3.661.737	3.662	10.233
Banca Popolare di Cividale Scpa	KB 1909 SPA	1,60%	185.430	603	578
Banca Popolare di Cividale Scpa	TORRE-NATISONE GAL SCARL	5,39%	2.392	1	1
Banca Popolare di Cividale Scpa	C.A.T.A.S SPA	9,00%	9.031	90	319
Banca Popolare di Cividale Scpa	BANK FOR BUSINESS	4,62%	1.318	520	233
Banca Popolare di Cividale Scpa	DEZELNA BANKA DD	5,57%	210.511	878	2.905
Banca Popolare di Cividale Scpa	CONFART.UD SERV.SRL	10,00%	288	150	150
Banca Popolare di Cividale Scpa	BANCA POPOLARE DELL'ETRURIA E DEL LAZIO	0,24%	496.420	1.012	254
Banca Popolare di Cividale Scpa	PROMO CORMONS COLLIO SRL - IN LIQUIDAZIONE	8,08%	2	5	-
Banca Popolare di Cividale Scpa	C.F.P. CIVIDALE SRL	9,10%	410	21	21
Banca Popolare di Cividale Scpa	CONSULTING SPA	1,32%	1.975	2	5
Banca Popolare di Cividale Scpa	VIVABIOCELL SPA	17,48%	147.801	148	314
Banca Popolare di Cividale Scpa	SIPI INVESTIMENTI SPA	2,97%	29.700	30	619
Banca Popolare di Cividale Scpa	FRIULI NEWS SPA	5,67%	5.660	6	13
Banca Popolare di Cividale Scpa	AGENZIA SVILUPPO DISTRETTO IND. DELLA SEDIA SP	1,00%	4	2	2
Banca Popolare di Cividale Scpa	CASSA DI RISPARMIO DI FERRARA	0,72%	303.432	1.566	2.255
Banca Popolare di Cividale Scpa	BANCA VALSABINA	0,29%	105.357	316	1.896
Banca Popolare di Cividale Scpa	SWIFT	0,01%	8	1	6
Banca Popolare di Cividale Scpa	CR BOLZANO ORD.	0,07%	3.000	231	630
Banca Popolare di Cividale Scpa	MEDIOCREDITO DEL FRIULI VEBEZIA GIULIA SPA	2,45%	2.120.834	2.121	4.142
Civileasing Spa	BANKADATI SERV. INF.	0,50%	2.500	13	18
					58.881

4.2 Financial assets available for sale: composition by borrower/issuer

	31/12/2013	31/12/2012	%
1.Debt securities	**1.396.685**	**1.316.414**	**6,1%**
a) Governments and central banks	1.373.915	1.079.001	27,3%
b) Other governments agencies	100	100	0,0%
c) Banks	22.670	237.313	-90,4%
d) Other issuers	-	-	-
2. Equity securities	**58.878**	**65.650**	**-10,3%**
a) Banks	46.534	52.225	-10,9%
b) Other issuers	12.344	13.425	-8,1%
- insurance undertakings	-	-	-
- financial companies	7	856	-99,2%
- non financial companies	12.337	12.569	-1,8%
- other	-	-	-
3. Units in collective investment	**16.568**	**11.300**	**46,6%**
4. Loans	**-**	**-**	**-**
a) Governments and central banks	-	-	-
b) Other governments agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total	**1.472.131**	**1.393.364**	**5,7%**

Bonds issued by governments and central banks consist essentially of Italian government bonds.

4.4 Financial assets available for sale: annual change

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**1.316.415**	**65.649**	**11.301**	**-**	**1.393.365**
B. Increases	**4.120.668**	**3.483**	**7.312**	**-**	**4.131.463**
B1. Purchases	4.052.736	1.255	6.462	-	4.060.453
B2. Fair value gains	9.727	-	11	-	9.738
B3. Writebacks	-	1.483	839	-	2.322
- recognised through income statement	-	1.483	839	-	2.322
- recognised through equity	-	X	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	58.205	745	-	-	58.950
C. Decreases	**4.040.398**	**10.253**	**2.045**	**-**	**4.052.696**
C1. Sales	3.812.210	94	83	-	3.812.387
C2. Redemptions	192.281	-	-	-	192.281
C3. Fair value losses	803	-	473	-	1.276
C4. Writedowns for impairment	-	9.483	1.489	-	10.972
- recognised through income statement	-	7.813	1.489	-	9.302
- recognised through equity	-	1.670	-	-	1.670
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	35.104	676	-	-	35.780
D. Closing balance	**1.396.685**	**58.879**	**16.568**	**-**	**1.472.132**

Following the finalisation of the agreement entered into with Polis Fondi Immobiliari in 2013, purchases of CIUs included subscription for shares of the funds Asset Bancari III and Asset Bancari in the amount of €4.2 million (level 3 of the fair value hierarchy) through the contribution of owned properties. Additional shares of the Italian investment fund of approximately €2.2 million were also subscribed.

Impairment testing of financial assets available for sale

As required by IFRSs, financial assets available for sale are tested for impairment to determine whether there is objective evidence that the carrying amounts of such assets may not be fully recoverable. The impairment testing process involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses. Impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for quoted equities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of €9,281 thousand.

Section 5 - Financial assets held to maturity - item 50

5.1 Financial assets held to maturity: composition by type

	31/12/2013				31/12/2012			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debt securities	105.413	105.413	-	-	104.107	104.107	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	105.413	105.413	-	-	104.107	104.107	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**105.413**	**105.413**	**-**	**-**	**104.107**	**104.107**	**-**	**-**

5.2 Financial assets held to maturity: borrowers/issuers

	31/12/2013	31/12/2012
1. Debt securities	105.413	104.107
a) Governments and central banks	88.921	87.608
b) Other government agencies	-	-
c) Banks	16.492	16.499
d) Other issuers	-	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other governments agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**105.413**	**104.107**
Total fair value	**105.413**	**104.107**

5.4 Financial assets held to maturity: annual change

	Debt securities	Loans	Totale 31/12/2013
A. Opening balance	**104.107**	**-**	**104.107**
B. Increases	**4.138**	-	4.138
B1. Purchases	-	-	-
B2. Writebacks	-	-	-
B3. Transfers from other portfolios	-	-	-
B4. Other changes	4.138	-	4.138
C. Decreases	**2.832**	-	**2.832**
C1. Sales	-	-	-
C2. Redemptions	-	-	-
C3. Writedow ns for impairment	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other changes	2.832	-	2.832
D. Closing balance	**105.413**	**-**	**105.413**

Item B4 "Other changes" represents the interest collected during the year. Item C5 refers to the portion of such interest recognised through the income statement.

Section 6 - Due from banks - item 60

6.1 Due from banks: composition by type

	31/12/2013				31/12/2012		%
	VB	L1	L2	L3	VB	VF	
A. Claims on central banks	5.272	-	-	-	11.371	-	-53,6%
1. Time deposits	-	X	X	X	-	-	-
2. Reserve requirement	5.272	X	X	X	11.371	-	-53,6%
3. Repurchase agreements	-	X	X	X	-	-	-
4. Other	-	X	X	X	-	-	-
B. Due from banks	158.478	-	-	-	371.856	-	-57,4%
1. Current accounts and free deposits	21.741	-	-	-	79	-	27397,8%
2. Time deposits	2.039	X	X	X	78.702	-	-97,4%
3. Other financing	100.774	-	-	-	149.916	-	-32,8%
3.1 repurchase agreements	45.453	X	X	X	86.456	-	-47,4%
3.2 finance leases	-	X	X	X	-	-	-
3.3 other	55.320	X	X	X	63.460	-	158,0%
4. Debt securities	33.924	-	-	-	143.158	-	-76,3%
4.1 structured	-	-	-	-	-	-	-
4.2 other debt securities	33.924	X	X	X	143.158	-	-76,3%
Total (carrying amount)	**163.750**	**-**	**33.870**	**128.988**	**383.227**	**380.308**	**-57,3%**
Total (fair value)	**162.858**	**-**	**-**	**-**	**380.308**	**-**	**-57,2%**

(*) At 31 December 2012, the fair value of amounts due from banks was €380,308 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Section 7 - Loans to customers - item 70

7.1 Loans to customers: composition by type

	31/12/2013			Fair value			31/12/2012				%
	Performing	Non - performing					Performing	Non - performing			
		Purchased	Other	L1	L2	L3		Purchased	Other	FV	
1. Current accounts	429.620	-	80.288	X	X	X	493.514	-	83.934	X	-11,7%
2. Repurchase agreements	102.916	-	-	X	X	X	15.999	-	-	X	543,2%
3. Mortgage loans	1.597.255	-	200.662	X	X	X	1.683.378	-	193.210	X	-4,2%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	45.259	-	1.704	X	X	X	41.331	-	1.351	X	10,0%
5. Finance leases	256.118	-	63.705	X	X	X	272.367	-	65.810	X	-5,4%
6. Factoring	-	-	-	X	X	X	-	-	-	X	-
7. Other	320.366	-	15.939	X	X	X	317.559	-	14.378	X	1,3%
8. Debt securities	-	-	-				-	-	-		-
8.1 structured	-	-	-	X	X	X	-	-	-	X	-
8.2 other debt securities	-	-	-	X	X	X	-	-	-	X	-
Total (carrying amount)	**2.751.535**	**-**	**362.299**			**3.172.523**	**2.824.149**	**-**	**358.683**	**3.527.623**	**-2,2%**

(*) At 31 December 2012, the fair value of loans to customers was €3,527,623 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

7.2 Loans to customers: composition by borrower/issuer

	31/12/2013			31/12/2012			%
	Performing	Non - performing		Performing	Non - performing		
		Purchased	Other		Purchased	Other	
1. Securities:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-	-
- insurance undertakings	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
2. Loans to:	**2.751.535**	**-**	**362.299**	**2.824.149**	**-**	**358.683**	**-2,6%**
a) Governments	24	-	0	213	-	-	-88,7%
b) Other government agencies	7.657	-	-	7.404	-	-	3,4%
c) Other	2.743.854	-	362.299	2.816.532	-	358.683	-2,2%
- non-financial companies	1.353.817	-	231.211	1.456.263	-	297.027	-9,6%
- financial companies	533.504	-	6.194	444.691	-	6.806	19,5%
- insurance undertakings	13.292	-	-	12.391	-	-	7,3%
- other	843.241	-	124.894	903.187	-	54.850	1,1%
Total	**2.751.535**	**-**	**362.299**	**2.824.149**	**-**	**358.683**	**-2,2%**

7.3 Loans to customers: specifically hedged assets

	31/12/2013	31/12/2012	%
1. Loans with specific fair value hedges	-	2.619	-100,0%
a) interest rate risk	-	2.619	-100,0%
b) exchange rate risk	-	-	-
c) credit risk	-	-	-
d) multiple risks	-	-	-
2. Loans with specific cash flow hedges	-	-	-
a) interest rate risk	-	-	-
b) exchange rate risk	-	-	-
c) other	-	-	-
Total	**-**	**2.619**	**-100,0%**

7.4 Finance leases

	Total 31/12/2013						Total 31/12/2012					
	Non - performing	Minimum lease payments			Gross investment		Non performing	Minimum lease payments			Gross investment	
		Capital		Interest		of which unguaranteed residual value		Capital		Interest		of which unguaranteed residual value
			of which guaranteed residual value						of which guaranteed residual value			
On demand	5.862	20.767	-	105	20.872	-	4.165	39.175	-	145	39.320	-
Up to 3 months	16.598	6.988	-	2.839	9.827	-	27	7.523	-	2.821	10.344	-
Between 3 and 12 months	12.923	19.440	-	7.972	27.412	-	18.642	21.161	-	7.859	29.020	-
Between 1 and 5 years	30.268	79.448	-	32.896	112.344	-	34.027	79.780	-	32.453	112.233	-
Over 5 years	-	121.946	-	37.442	159.388	-	17.028	124.679	-	36.360	161.039	-
Gross total	65.651	248.589	-	81.254	329.843	-	73.889	272.318	-	79.638	351.956	-
Charges/write-backs on impairment	63.705	254.138	-	-	317.843	-	8.079	1.129	-	-	-	-
Total impairment	63.705	254.138	-	-	317.843	-	8.079	1.129	-	-	-	-
Net total	**1.946**	**- 5.549**	**-**	**81.254**	**12.000**	**-**	**65.810**	**271.189**	**-**	**79.638**	**351.956**	**-**

Section 8 - Hedging derivatives - item 80

Not applicable.

Section 9 - Change in fair value of macro fair value hedge portfolios - item 90

Not applicable.

Section 10 - Equity investments - item 100

10.1 Equity investments in joint ventures (accounted for using the equity method) and companies subject to significant influence: information on investments

	Registered office	Type of relationship	Equity investment		% of votes
			Investor	% holding	
C. Companies under significant influence					
1 Acileasing S.p.A.	Udine	2	Banca Popolare di Cividale ScpA	30,00%	30,00%
2 Acrent S.p.A.	Udine	2	Banca Popolare di Cividale ScpA	30,00%	30,00%
3 Itas Assicurazioni S.p.A.	Trento	2	Banca Popolare di Cividale ScpA	25,00%	25,00%
4 Help line S.p.A.	San Giovanni al Natisone (UD)	2	Banca Popolare di Cividale ScpA	30,01%	30,01%

10.2 Equity investments in joint ventures and companies subject to significant influence: accounting figures

	Total assets	Total revenues	Net income (loss)	Shareholders' equity	Consolidated carrying amount	Fair value		
A. Companies accounted for using equity method						L1	L2	L3
A.2 Companies under significant influence								
1 Acileasing S.p.A.	39.221	16.115	77	3.469	1.408	-	-	1.408
2 Acirent S.p.A.	3.448	2.955	54	1.235	669	-	-	669
3 Itas Assicurazioni S.p.A.	24.309	7	701	7.751	2.199	-	-	2.199
4 Help line S.p.A.	16.072	625	(358)	6.043	3.254	-	-	3.254
Totale	**83.050**	**19.702**	**474**	**18.498**	**7.529**	**-**	**-**	**7.529**

10.3 Equity investments: annual change

	31/12/2013	31/12/2012
A. Opening balance	**8.635**	**8.427**
B. Increases	**281**	**299**
B.1 Purchases	-	- 0
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	281	299
C. Decreases	**1.387**	**91**
C.1 Sales	-	91
C.2 Writedowns	1.051	-
C.3 Other changes	336	-
D. Closing balance	**7.529**	**8.635**
E. Total revaluations	**-**	**-**
F. Total writedowns	**-**	**-**

10.4 Commitments regarding equity investments in joint ventures

No commitments have been recognised in respect of equity investments in joint ventures, as shown in the list of equity investments provided in the foregoing table 10.1.

Section 11 - Reinsurers' share of technical reserves - item 110

This section does not apply to the Banca Popolare di Cividale S.c.p.A. Group.

Section 12 - Property, plant and equipment - item 120

12.1 Property, plant and equipment: composition of assets recognised at cost

	31/12/2013	31/12/2012	%
1.1 owned	**77.443**	**64.868**	**19,4%**
a) land	4.933	4.933	0,0%
b) buildings	68.889	57.311	20,2%
c) movables	1.885	1.956	-3,7%
d) electrical plant	18	626	-97,2%
e) other	1.719	42	3992,9%
1.2 acquired under finance leases	-	-	-
a) land	-	-	-
b) buildings	-	-	-
c) movables	-	-	-
d) electrical plant	-	-	-
e) other	-	-	-
Total	**77.443**	**64.868**	**19,4%**

The following are the estimated useful lives of depreciable items of property, plant and equipment by asset class:

- land: indefinite;
- works of art: indefinite:
- buildings – 2% – 50 years;
- furniture – 12% – 9 years;
- plant – 15% – 7 years;
- plant – 30% – 4 years;
- plant – 7.5% – 14 years;
- fixtures – 15% – 7 years; and
- electronic machines – 20% – 5 years.

12.2 Investment property: composition of assets recognised at cost

	31/12/2013				31/12/2012				%
		Fair value				Fair value			
	BV	L1	L2	L3	BV	L1	L2	L3	
2.1 owned	**9.555**	**-**	**-**	**9.555**	**12.392**	**-**	**-**	**12.392**	-22,9%
a) land	4.346	-	-	4.346	3.416	-	-	3.416	27,2%
b) buildings	5.209	-	-	5.209	8.976	-	-	8.976	-42,0%
2.2 acquired under finance leases	-	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-	-
Total	**9.555**	**-**	**-**	**9.555**	**12.392**	**-**	**-**	**12.392**	**-22,9%**

(*) The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

The item refers to the investment property held by the subsidiary Tabogan S.r.l.

12.5 Operating property, plant and equipment: annual change

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**4.933**	**82.358**	**8.849**	**13.790**	**903**	**110.833**
A.1 Total net writedowns	-	12.655	6.893	13.174	851	33.573
A.2 Opening net balance	4.933	69.703	1.956	616	52	77.260
B. Increases	-	3.416	264	461	-	4.141
B.1 Purchases	-	3.416	264	461	-	4.141
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	820	336	295	45	1.496
C.1 Sales	-	-	-	43	45	88
C.2 Depreciation	-	677	336	252	-	1.265
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	143	-	-	-	143
D. Closing net balance	4.933	72.299	1.884	782	7	79.905
D.1 Total net writedowns	-	13.332	7.229	13.426	851	34.838
D.2 Closing gross balance	4.933	85.631	9.113	14.208	858	114.743
E. Measurement at cost	-	-	-	-	-	-

12.6 Investment property: annual change

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening balance	**-**	**8.976**	**-**	**-**	**-**	**8.976**
B. Increases	-	-	955	-	-	955
B.1 Purchases	-	-	955	-	-	955
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	2.837	-	-	-	2.837
C.1 Sales	-	2.837	-	-	-	2.837
C.2 Depreciation	-	-	-	-	-	-
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing net balance	-	6.139	955	-	-	7.094
E. Measurement at fair value	-	-	-	-	-	-

Section 13 - Intangible assets - item 130

13.1 Intangible assets: composition by category

	31/12/2013		31/12/2012		
	Finite life	Indefinite life	Finite life	Indefinite life	%
A.1 Goodwill	X	-	X	-	-
A.1.1 Group	X	19.136	X	19.136	0,0%
A.1.2 minority interests	X	-	X	-	-
A.2 Other intangible assets	243	-	111	-	118,9%
A.2.1 Assets carried at cost	243	-	111	-	118,9%
a) internally-generated intangible assets	-	-	-	-	-
b) other assets	243	-	111	-	118,9%
A.2.2 Assets carried at fair value	-	-	-	-	-
a) internally-generated intangible assets	-	-	-	-	-
b) other assets	-	-	-	-	-
Total	**243**	**19.136**	**111**	**19.136**	**0,7%**

13.2 Intangible assets: annual change

	Goodwill	Other internally-		Other intangible		Total
		Fin	Indefin	Fin	Indefin	
A. Opening balance	19.136	-	-	909	-	20.045
A.1 Total net writedowns	-	-	-	798	-	798
A.2 Opening net balance	19.136	-	-	111	-	19.247
B. Increases	-	-	-	240	-	240
B.1 Purchases	-	-	-	240	-	240
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value gains	X	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	X	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	108	-	108
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	108	-	108
- Amortization	X	-	-	108	-	108
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Fair value losses	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to discontinuing operations	X	-	-	-	-	-
C.5 Negative exchange rate differences	X	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	19.136	-	-	243	-	19.379
D.1 Total net writedowns	-	-	-	-	-	-
E. Closing gross balance	19.136	-	-	243	-	19.379
F. Measurement at cost	-	-	-	-	-	-

Key *Fin: finite useful life; Indefin: indefinite useful life*

Goodwill is related to:
1. the acquisition of the banking arm of the former Banca Agricola di Gorizia; and
2. the acquisition of a bank branch from third parties.

Impairment testing of goodwill
Goodwill is initially measured at cost, which derives from the amount by which the consideration paid exceeds the net assets and liabilities acquired. If the amount of consideration is less than the fair value of the acquiree's net assets, the difference is recognised through the income statement.
After initial recognition, goodwill is measured at cost less any cumulative impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination must be allocated at the acquisition date to each cash-generating unit of the entity that is expected to benefit from the combination, irrespective of whether the acquiree's assets or liabilities are assigned to those units.
Goodwill is tested for impairment at least once a year (at 31 December) and more frequently where circumstances indicate that the carrying amount may have become impaired.

Allocation of goodwill to cash-generating units (CGUs)
With respect to the definition of "cash-generating unit" ("CGU"), it should firstly be noted that, in a manner consistent with the approach adopted in previous years, the Group has identified its operating segments as coinciding with the individual legal entities that comprise the Group, and thus reflecting the corporate reorganisation process undertaken in 2013, resulting in the identification of the two following CGUs:

- ***Retail and Corporate Bank***, which includes Banca Popolare di Cividale S.c.p.A.; and
- ***Leasing***, which includes Civileasing S.p.A.

In continuity with the approach adopted for the purposes of previous impairment tests, the cash-generating unit to which recognised goodwill has been allocated is the Retail and Corporate Bank GGU, coinciding with the legal entity Banca Popolare di Cividale, which represents the "smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets." The merger of Banca di Cividale S.p.A. and NordEst Banca S.p.A. into the Parent Company, Banca Popolare di Cividale S.c.p.A. (which previously acted as a holding company), entailed the mingling of sources of funding and investments in financial instruments (loans and receivables) and the resulting single formulation of forecasting plans useful in impairment testing. Those plans include the cost synergies resulting from the merger, although the effects are not yet present in the Group's 2013 financial statements, inasmuch as the merger only entered into effect at year-end (30 December 2013).
The accounting principles of reference require that impairment testing be conducted by comparing the carrying amount and recoverable amount of each CGU. Where the recoverable amount is less than the carrying amount, an impairment loss must be recognised. The recoverable amount of a CGU is the greater of its fair value and value in use. The recoverable amount of the Bank's CGUs is represented by its value in use, determined on the basis of the future cash flows generated by each CGU to which goodwill has been allocated. Such cash flows have been estimated on the basis of:

- updated macroeconomic scenarios;
- the Group's strategic plan for the period 2014-2016, currently pending approval by the Parent Company's Board of Directors;
- economic projections for the period 2017-2018; and
- developmental guidelines completing the company reorganisation process implemented in 2013.

Projections of future results have been extended through 2018 with the aim of obtaining an assessment of the Bank's income-generating capacity and the ability to create value over time, which is independent of the current macroeconomic scenario.
Value in use has been determined by the management, with the methodological support of an authoritative external expert, by applying Excess Capital variant of the Dividend Discount Model ("DDM"). This approach is used to determine the value of a company or business unit according to the dividend flows that it is estimated it may generate on a prospective basis, while maintaining a minimum capitalisation level consistent with the instructions provided in this regard by supervisory authorities and in a manner consistent with expected business trends.
This method is widely adopted in well established current valuation practice and is supported by the foremost academic theory regarding business valuation, particularly as regards entities operating in the banking sector.

The application of the Dividend Discount Model involved the use of expected profitability estimates and financial parameters to discount flows. In further detail, value in use was calculated on the basis of the following assumptions and elements:

- **cash flows:** an explicit period of 2014-2018, estimated on the basis of: *i)* the 2014-2016 Strategic Plan, pending approval by the Parent Company's Board of Directors, from which the plan for the Retail and Corporate Bank CGU alone was extracted; and *ii)* the minimum level of capitalisation (minimum capital) required to ensure operation of banking activity.
- **terminal value,** estimated as a function of: *i)* long-term expected net income; and *ii)* the sustainable growth rate, equal to long-term expected inflation of 2.0% (source: EIU);
- **minimum capital:** the target capitalisation requirement was assumed as a function of a tier 1 ratio of 8.5%, in line with the targets of major quoted Italian banks, in light of international practice. That ratio was applied to the Banca Popolare di Cividale Group's prospective RWAs (risk-weighted assets) to determine capital requirements.
- **discounting rate (Ke)**: future cash flows have been discounted by using a cost of equity capital (Ke) determined as the sum of the nominal rate of return on risk-free assets and a specific risk premium that reflects the risk level of the industry of reference and the specific risks associated with the Bank's operations. In further detail, the cost of equity capital has been estimated as **9.21%** as the result of:
    - **R_f:** the rate of return on risk-free assets, identified on the basis of the gross annual return on the ten-year Italian benchmark BTP, twelve-month average surveyed on 22 February 2014 (source: Market Information Provider) at 4.11%;
    - **β:** the beta coefficient, which indicates the risk level of a specific equity with respect to the equity market at large, estimated on the basis of the beta values for a sample of comparable companies at 1.02;
    - **R_m - R_f:** the premium, or difference in return, requested by investors for an investment in equities rather than a risk-free investment; this premium was determined at 5.0%, in line with professional practice.

Sensitivity analysis

Since valuation is rendered especially complex by the macroeconomic and market scenario currently affecting the financial sector as a whole, as well as by the ensuing difficulty in formulating projections concerning long-term future profitability, and in order to comply with the provisions of IAS 36, a sensitivity analysis was conducted of the parameters used in the assessment aimed at determining the change in recoverable amount, assuming a change in parameters used in the impairment testing procedure. In particular, that analysis was conducted as a function of a positive and negative change of 30 basis points in the Ke with respect to 9.21%.

An additional sensitivity analysis was conducted on the discounted rate used (Ke) to render the recoverable amount of the CGU equal to its carrying amount. The target cost of capital that results in the CGU's value in use and carrying amount being equal, is 11.30%.

The results of the impairment test

The impairment test, conducted in accordance with international accounting principles, as well as the indications contained in Bank of Italy/Consob/ISVAP Document No. 4 of 3 March 2010, did not indicate the need to proceed with the impairment of the goodwill carried at the consolidated level as at 31 December 2013.

In addition, it should be emphasised that the parameters and information used to test recoverable amount (particularly the expected cash flows for the CGU identified, as well as the discounting rates applied) have been significantly influenced by the macroeconomic and market scenario, which could undergo abrupt changes currently not subject to prediction. The effect that such changes could have on the estimate of the CGU's cash flows, as well as on the main assumptions adopted, could thus yield results significantly different from those presented in these financial statements in the financial statements of future years.

Section 14 - Tax assets and tax liabilities - item 140 of assets and item 80 of liabilities

14.1 Deferred tax assets: composition

Deferred tax assets, all of which pertained to the banking group, came to €56,532 thousand and may be broken down as follows:

	31/12/2013	31/12/2012
entertainment expenses	-	-
loans - writedowns	51.028	25.285
staff costs	625	633
financial assets for trading and hedging	-	-
goodwill	438	819
other	3.972	591
Tax effect on AFS reserve	469	1.058
FTA IAS transition	-	-
Previous years losses indefinitely carried forward	-	-
Previous years losses	-	3.094
Current year loss	-	-
Total	**56.532**	**31.480**

14.2 Deferred tax liabilities: composition

Deferred tax liabilities, all of which pertained to the banking group, came to €7,121 thousand and may be broken down as follows:

	31/12/2013	31/12/2012
Tax effect on AFS reserve	2.997	8.205
IAS/IFRS - severance benefits	13	-
goodwill	3.588	2.980
other	523	679
Total	**7.121**	**11.864**

14.3 Changes in deferred tax assets (through the income statement)

	31/12/2013	31/12/2012
1. Opening balance	30.422	24.700
2.Increases	31.434	8.091
2.1 Deferred tax assets recognised during the year	31.425	7.560
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) w ritebacks	-	-
d) other	31.425	7.560
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	9	532
3. Decreases	5.793	2.369
3.1 Deferred tax assets derecognised during the year	159	377
a) reversals	159	377
b) w ritedow ns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	5.634	1.991
a) transformation into tax credits pursuant to Law No. 214/2011	937	81
b) other	4.697	1.911
4.Closing balance	**56.063**	**30.422**

14.3.1 Changes in deferred tax assets eligible for transformation into tax credits pursuant to Law No. 214/2011 (through the income statement)

	31/12/2013	31/12/2012
1. Opening balance	**3.570**	**2.439**
2.Increases	**-**	**1.352**
3. Decreases	**(1.874)**	**(221)**
3.1 Reversals	**(937)**	(140)
3.2 Transformation into tax credits	(937)	(81)
a) from losses for the year	(937)	(81)
b) from fiscal losses	-	-
3.3 Other decreases	-	-
4.Closing balance	**1.696**	**3.570**

14.4 Changes in deferred tax liabilities (through the income statement)

	31/12/2013	31/12/2012
1.Opening balance	**3.659**	**3.582**
2. Increases	**633**	**606**
2.1 Deferred tax liabilities recognised during the year	633	-
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	633	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	606
3. Decreases	**182**	**529**
3.1 Deferred tax liabilities derecognised during the year	182	-
a) reversals	182	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	529
4. Closing balance	**4.111**	**3.659**

14.5 Changes in deferred tax assets (through equity)

	31/12/2013	31/12/2012
1.Opening balance	**1.058**	**8.213**
2. Increases	**201**	**1.322**
2.1 Deferred tax assets recognised during the year	201	432
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	201	432
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	890
3. Decreases	**790**	**8.477**
3.1 Deferred tax assets derecognised during the year	790	5.410
a) reversals	790	5.410
b) w ritedow ns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	3.067
4.Closing balance	**469**	**1.058**

14.6 Changes in deferred tax liabilities (through equity)

	31/12/2013	31/12/2012
1.Opening balance	**8.205**	**738**
2. Increases	**1.390**	**8.258**
2.1 Deferred tax liabilities recognised during the year	1.305	-
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	1.305	8.190
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	85	68
3. Decreases	**6.585**	**791**
3.1 Deferred tax liabilities derecognised during the year	3.048	-
a) reversals	3.048	650
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3.537	141
4. Closing balance	**3.010**	**8.205**

14.7 Other information

Tax treatment of impairment and other losses on loans

Law No. 147 of 27 December 2013 (the 2014 Stability Act) significantly modified the rules governing the deductibility of impairment and other losses on loans for the purposes of both corporate income tax and regional production tax.

The changes primarily affect banks, insurers and financial institutions, whereas companies at large that do not prepare their financial statements in accordance with IASs are affected by the application of the requirements of the certainty and precision of losses in cases of the derecognition of loans.

In further detail, paragraphs 158 and 159 allow entities operating in the banking, finance and insurance sectors, effective the tax period in progress at 31 December 2013, to include in their taxable base for the purposes of regional production tax net impairment losses and recoveries on loans during the year in which they are recognised and the following four years. The positive effect comes to approximately €5,428 thousand, of which €1,085 thousand in terms of lesser current regional production tax paid due to the immediate deductibility of one-fifth of net impairment losses on loans, and €4,343 thousand in terms of the recognition of greater deferred tax assets on the remaining four-fifths.

Paragraphs 160 and 161 modify the rules governing the deductibility of impairment and other losses on recognised loans, with a particular impact on the rules applicable to lenders and financial institutions. Impairment losses on loans may now be deducted on a straight-line basis over a period of five years: the first fifth is deducted during the year in which the impairment loss is recognised, while the remaining four-fifths are deducted in the following four tax periods. Loan losses are also deductible according to the same conditions, with the exception of losses on loans realised upon disposal for consideration, which are deductible in full during the year in which they are recognised. Impairment and other losses on loans deductible in fifths are considered net of recoveries on recognised loans. This change does not have direct effects on the income statement.

Transformation of deferred tax assets into tax credits

Article 2 of Law Decree No. 225 of 29 December 2010 (the "Thousand Extensions Decree"), enacted, with amendments, as Law No. 10 of 26 February 2011, allows deferred tax assets recognised in connection with impairment losses on loans by banks and financial companies, goodwill and other intangible assets to be transformed into tax credits in certain situations. The provision was most recently amended by Law No. 147 of 27 December 2013 (the 2014 Stability Act), which extended the rules to include deferred tax assets (DTAs), in connection with the same items as above, recognised with respect to regional production tax, as well as the losses on loans of banks and financial companies, considering that the tax treatment of such losses was also modified by the Stability Act, to bring it into line with that of impairment losses, as illustrated above.

In extremely short form, the rules that allow the transformation of deferred tax assets state that:

- DTAs are transformed into tax credits upon the occurrence of operating losses presented in the separate financial statements. The transformation applies to an amount corresponding to the share of the loss for the year, corresponding to the relationship between DTAs and the sum of share capital and reserves;
- any share of such DTAs that contributes to the formation of a tax loss for the purposes of corporate income tax or a negative value of production for the purposes of regional production tax is converted into a tax credit, with the concurrent de-activation of the recoverability limits envisaged for tax losses;
- tax credits do not generate interest. They may be used, without limits of amount, for offsetting against other taxes payable (including those deriving from withholding agent activity) and social-security contributions payable by a single bank or corporate tax consolidation programme. Such tax credits may also be transferred at nominal value according to the procedure governed by Art. 43-*ter* of Presidential Decree No. 602/1973 and may be submitted for a refund of the remainder after offsetting.

In this regard, due to the losses recognised in the 2012 financial statements of the merged companies Banca di Cividale S.p.A. and Nordest Banca S.p.A., in 2013 the Bank converted DTAs into tax credits of €937 thousand.

Corporate income surtax of 8.5%

Article 2, paragraphs 2 and 3, of Law Decree No. 133 of 30 November 2013, enacted into Law No. 5 of 29 January 2014, established a corporate income surtax of 8.5% applicable to lenders and financial institutions governed by Legislative Decree No. 87 of 27 January 1992, the Bank of Italy and companies and entities that conduct insurance business. The surtax applies in a limited manner to the tax period in progress at 31 December 2013. In particular, paragraph 3 lays down specific provisions for entities participating in optional tax consolidation programmes, which are required to subject their taxable income to the surtax and make payment of the tax due independently, effectively changing the rules previously applicable to shell companies and companies operating in the energy sector to which the "Robin Tax" applies. The surtax is not due on increases due to the application of Article 106, paragraph 3, of income taxes, pursuant to the Decree of the President of the Republic No. 917 of 22 December 1986, as amended by the 2014 Stability Act, or the four-fifths of impairment and other loan losses subject to taxation. The statute did not yield any effects in terms of greater current taxes.

Probability test on deferred taxes

IAS 12 requires that deferred tax assets and liabilities be recognised according to the following criteria:

- taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
- deductible temporary differences: a deferred tax asset is to be recognised for all deductible temporary differences if it is probable that sufficient taxable income will be earned in order to use the deductible temporary difference. Deferred tax assets not recognised in a given year – inasmuch as the conditions for their recognition had not been satisfied – are to be recognised in the year in which those requirements are met.

Accordingly, the amount of the deferred tax assets recognised must be tested each year in order to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.

For the 2013 financial statements, as in previous years, an analysis has been conducted with the aim of verifying whether projections of future profitability are sufficient to ensure the re-absorption of deferred tax assets and therefore justify their recognition and retention in the financial statements (a process known as the "probability test").

In conducting the probability test on the deferred tax assets recognised in the Group's financial statements at 31 December 2013, as for the 2012 financial statements, deferred tax assets deriving from deductible temporary differences were considered separately. In this regard, it is relevant that effective the tax period ended 31 December 2011 the law permits the conversion into tax credits of deferred tax assets recognised in financial statements to account for tax losses arising from the deferred deduction of qualified temporary differences (Article 2, paragraph 56-*bis*, of Law Decree No. 225/2010, introduced by Article 9 of Law Decree No. 201/2011, converted into Law No. 214/2011), in addition to that already provided for where the separate financial statements present a loss (Article 2, paragraphs 55 and 56, of Law Decree No. 225/2010). Such convertibility has introduced an additional, supplementary method of recovery that is appropriate to ensuring the recovery of qualified deferred tax assets in all situations, regardless of an enterprise's future profitability. In fact, if qualified temporary differences exceed taxable income in a given year, the recovery of deferred tax assets does not take the form of a reduction of current taxes, but rather of the recognition of deferred tax assets on the tax loss, convertible into tax credits pursuant to Article 2, paragraph 56-*bis*, of Law Decree No. 225/2010.

The convertibility of deferred tax assets on tax losses resulting from qualified temporary differences is therefore a sufficient condition for the recognition of deferred tax assets in the financial statements, thereby ensuring that the associated probability test is implicitly passed.

This arrangement is also borne out in the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued in the framework of the IAS/IFRS Application Coordination Board) concerning the *Accounting Treatment of Deferred Tax Assets Deriving from Law 214/2011* and in the subsequent Italian Banking Association IAS document no. 112 of 31 May 2012 (*Tax Credits Deriving from the Transformation of Deferred Tax Assets: Clarification from the Bank of Italy, Consob and ISVAP Regarding the Application of IAS/IFRS*).

On this basis, the test consisted of the following steps in particular:

a) identifying deferred tax assets other than those associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives ("non-qualified deferred tax assets") recognised in the consolidated financial statements; b) analysing such non-qualified deferred tax assets and the deferred tax assets recognised in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable timing of recovery; and
b) forecasting the Company's future profitability with the aim of verifying the ability to absorb the deferred tax assets set forth in point a) above.

The test conducted indicated that taxable income was sufficient and able to absorb the deferred tax assets recognised in the financial statements at 31 December 2013.

Section 15 - Non-current assets held for sale and discontinued operations and associated liabilities - item 150 of assets and item 90 of liabilities

Not applicable.

Section 16 - Other assets - item 160

16.1 Other assets: composition

	31/12/2013	31/12/2012	%
Amounts due from the tax authorities	842	288	192,7%
Ammounts due from the tax authorities for withholdings on interest paid to customers and other amounts due	6.421	4.814	33,4%
Cheques drawn on the bank to be settled	4.721	7.143	-33,9%
Counterparts for securities ad coupon payments to be received	132	0	45149,1%
Soundry items to be debited to customers and banks	4.525	5.400	-16,2%
Value date differences on portfolio transactions	-	-	-
Costs and advances pending financial allocation	70	98	-28,9%
Transit items	203	347	-41,6%
Items finalized but not allocable to other items	13.829	20.127	-31,3%
Amounts related to payment for the supply of goods and services	17	-	-
Other	39	865	-95,5%
Total	**30.797**	**39.082**	**-21,2%**

The various items include:

- the share of loans on third-party funds, the risk associated with which is not borne by the Bank, in the amount of €6,699 thousand;
- Cartasi fees of €2,200 thousand; and
- order receipt commissions of €1,010 thousand.

LIABILITIES

Section 1 - Due to banks - item 10

1.1 *Due to banks: composition by type*

	31/12/2013	31/12/2012	%
1. Due to central banks	851.281	845.374	0,7%
2. Due to banks	159.582	124.863	27,8%
2.1 Current accounts and demand deposits	66.655	24.538	171,6%
2.2 Time deposits	520	35.444	-98,5%
2.3 Borrow ings	92.321	64.475	43,2%
2.3.1 Repurchase agreements	-	0	-100,0%
2.3.2 other	92.321	64.475	43,2%
2.4 Liabilities in respect of commitments to repurchase ow n equity	-	-	-
2.5 Other payables	87	406	-78,5%
Total	**1.010.863**	**970.236**	**4,2%**
Fair value - L1	**-**	**-**	**-**
Fair value - L2	**-**	**-**	**-**
Fair value - L3	**1.010.863**	**-**	**-**
Fair value	**1.010.863**	**910.448**	**11,0%**

(*) At 31 December 2012, the fair value of amounts due to banks was €910,448 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Item 2.3.2 Loans – Other primarily includes financing received from the European Investment Bank for investments.

Section 2 - Due to customers - item 20

2.1 Due to customers: composition by type

	31/12/2013	31/12/2012	%
1. Current accounts and demand deposits	1.378.360	1.345.235	2,5%
2. Time deposits	282.466	80.302	251,8%
3. Borrow ings	1.268.021	1.215.868	4,3%
3.1 Repurchase agreements	1.257.498	1.141.344	10,2%
3.2 Other	10.524	74.524	-85,9%
4. Liabilities in respect of commitments to repurchase ow n equity instruments	-	-	-
5. Other payables	39.564	39.391	0,4%
Total	**2.968.412**	**2.680.797**	10,7%
Fair value - L1	-	**-**	-
Fair value - L2	-	**-**	-
Fair value - L3	2.957.656	**-**	-
Fair value	**2.957.656**	**2.676.531**	10,5%

(*) At 31 December 2012, the fair value of amounts due to customers was €2,676,531 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Section 3 - Debt securities issued - item 30

3.1 Debt securities issued: composition by type

	31/12/2013				31/12/2012				%
	Book value	Fair value			Book value	Fair value			
		L1	L2	L3		L1	L2	L3	
A. Securities									
1. Bonds	650.295	-	650.295	-	1.028.057	-	1.028.057	-	-36,7%
1.1 structured	14.936	-	14.936	-	14.928	-	14.928	-	0,1%
1.2 other	635.358	-	635.358	-	1.013.129	-	1.013.129	-	-37,3%
2. Other	79.989	-	-	79.989	79.077	-	79.077	-	1,2%
2.1 structured	-	-	-	-	-	-	-	-	-
2.2 other	79.989	-	-	79.989	79.077	-	79.077	-	1,2%
Total	**730.284**	**-**	**650.295**	**79.989**	**1.107.135**	**-**	**1.107.135**	**-**	**-34,0%**

Key *L1 = Level 1, L2 = Level 2, L3 = Level 3*

3.2 Breakdown of item 30 “Debt securities issued”: subordinated securities (applicable legislation)

The amount included under “Debt securities issued” came to €61.8 million. The item refers to the following bond issues:

a) Subordinated bond with a nominal value of €15 million issued on 7 April 2008:

- interest rate: first coupon of 4.81% gross annual payable on 7 July 2009; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 7 April 2013, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal is to be repaid in five equal instalments of 20% of principal starting on 7 April 2014;
- maturity: 7 April 2018;
- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month’s notice;
- no provisions exist for conversion into share capital.

b) Subordinated bond with an original nominal value of €40 million issued on 13 August 2007:

- interest rate: first coupon of 4.6% gross annual payable on 13 November 2007; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 13 August 2012, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal is to be redeemed in five equal instalments of 20% of principal starting on 13 August 2013;
- maturity: 13 August 2017;
- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month’s notice;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.

c) Subordinated bond with a nominal value of €15 million issued on 10 December 2013:

- interest rate: half-yearly coupons equal to the six-month Euribor rate plus a spread of 430 bps;
- amortisation schedule: principal is to be repaid in five equal instalments of 20% of principal starting on 10 December 2014;
- maturity: 10 December 2018;
- no early redemption clause has been provided for;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.

3.3 Breakdown of item 30 "Debt securities issued": specifically hedged securities

Hedge accounting was discontinued in 2013.

Section 4 - Financial liabilities held for trading - item 40

4.1 Financial liabilities held for trading: composition by type

	31/12/2013					31/12/2012					%
		FV					FV				
	VN	L1	L2	L3	FV*	VN	L1	L2	L3	FV*	
A. On-balance-sheet liabilities											
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X	-
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X	-
3.2.2 other	-	-	-	-	X	-	-	-	-	X	-
Total A	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives											
1. Financial derivatives	-	-	965	-	-	-	-	2.073	-	-	0,0%
1.1 trading	X	-	965	-	X	X	-	2.073	-	X	-53,4%
1.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X	-
1.3 other	X	-	-	-	X	X	-	-	-	X	-
2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
2.1 trading	X	-	-	-	X	X	-	-	-	X	-
2.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X	-
2.3 other	X	-	-	-	X	X	-	-	-	X	-
Total B	**X**	**-**	**965**	**-**	**X**	**X**	**-**	**2.073**	**-**	**X**	**-53,4%**
Total (A+B)	**-**	**-**	**965**	**-**	**-**	**-**	**-**	**2.073**	**-**	**-**	**-53,4%**

***Key:** FV = fair value calculated by excluding the changes in value due to the change in the issuer's credit rating since the issue date. NV = nominal or notional value. L1 = Level 1 L2 = Level 2 L3 = Level 3*

Section 5 - Financial liabilities designated at fair value - item 50

This section does not apply to the Banca Popolare di Cividale Group.

Section 6 - Hedging derivatives - item 60

6.1 Hedging derivatives: composition by type of contract and underlying asset

	FV 31/12/2013			VN 31/12/2013	FV 31/12/2012			VN 31/12/2012
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	-	-	-	-	**2.915**	-	**20.000**
1) Fair value	-	-	-	-	-	2.915	-	20.000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	**2.915**	-	**20.000**

Key: FV = fair value NV = notional value L1 = Level 1 L2 = Level 2 L3 = Level 3

Section 7 - Change in fair value of financial liabilities in macro fair value hedge portfolios - item 70

This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 8 - Tax liabilities - item 80

For information on this section, please see Section 14 under Assets.

Section 9 - Liabilities associated with discontinued operations - item 90

Not applicable.

Section 10 - Other liabilities - item 100

10.1 Other liabilities – composition

	31/12/2013	31/12/2012	%
Amounts due to the tax authorities for indirect tax	811	73	0,0%
Amounts due to social security and welfare institutions	1.550	1.522	1,8%
Amouns due to public entities on behalf of third parties	4.228	4.813	-12,1%
Sundry items to be debited to customers and banks	608	10.069	-94,0%
Amounts available to customers	3.686	2.502	47,3%
Amounts payable to employees	2.553	2.983	-14,4%
Value date differences on portfolio transactions	17.726	19.499	-9,1%
Intems in transit between branches	7.059	2.408	193,1%
Guaratees given	145	872	-83,4%
Accruals other than those capitalised	516	663	-22,2%
Payables related to the supply of goods and services	8.003	10.002	-20,0%
Sundry and residual items	41.562	37.514	10,8%
Total	**89.276**	**92.922**	**-3,9%**

The various items include:

- €23,549 thousand in amounts due to the vehicle for securitised mortgage loans; and
- third-party funds for agricultural loans (€6,547 thousand).

Section 11 - Employee termination benefits - item 110

11.1 Employee termination benefits: annual change

	31/12/2013	31/12/2012	%
A. Opening balance	**5.647**	**5.270**	**7,1%**
B. Increases	**1.792**	**1.785**	**0,4%**
B.1 Provision for the year	1.792	1.784	0,5%
B.2 Other increases	-	1	-100,0%
C. Decreases	**1.781**	**1.408**	**26,4%**
C.1 Severance payments	396	439	-9,9%
C.2 Other decreases	1.385	969	42,9%
D. Closing balance	**5.658**	**5.647**	**0,2%**
Total	**5.658**	**5.647**	**0,2%**

Under international accounting principles, employee termination benefits are considered post-employment benefits of the defined-benefit type. Accordingly, for accounting purposes, their value is determined through actuarial approaches based on a technical procedure known in actuarial literature as the “MAGIS” method. This method, based on a stochastic simulation of the Montecarlo type, allows projections to be prepared for the compensation costs for each employee, considering the demographic and compensation figures associated with each position, without aggregating those positions or introducing average values. The calculations were performed for the number of years necessary for all workers currently in service to leave service.

In accordance with IAS 19, the actuarial assessments have been conducted according to the accrued benefit method by using the Projected United Credit Method.
Technical assessments were conducted according to the following parameters:

- annual technical discount rate: 3.17%;
- annual inflation rate: 2.00%;
- annual rate of termination benefit increase: 3.00%.

As required by ESMA, the actuarial assessment was conducted while leaving all other hypotheses unchanged but considering a discounting rate equal to the index for the Eurozone, Iboxx Corporate AA, with a duration of ten years, in a manner consistent with the average financial duration of prospective divestments tied to departures from the category subject to assessment.

Section 12 - Provisions for risks and charges - item 120

12.1 Provisions for risks and charges: composition

	31/12/2013	31/12/2012	%
1. Company pension plans	-	-	-
2. Other provisions	3.436	1.289	166,6%
2.1 legal disputes	940	859	9,4%
2.2 staff costs	-	-	-
2.3 other	2.496	430	480,5%
Total	**3.436**	**1.289**	**166,6%**

12.2 Provisions for risks and charges: annual change

	Pension plans	Other provisions	Total
A. Opening balance	**-**	**1.289**	**1.289**
B. Increases	**-**	**2.467**	**2.467**
B.1 Provision for the year	-	2.467	2.467
B.2 Changes due to passage of time	-	-	-
B.3 Changes due to changes in discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**320**	**320**
C.1 Use during the year	-	263	263
C.2 Changes due the changes in discount rate	-	-	-
C.3 Other decreases	-	57	57
D. Closing balance	**-**	**3.436**	**3.436**

The item “Provisions for risks and charges” increased by €2,467 thousand due to accruals to account for revocatory actions, complaints and civil litigation. The draw-downs of €320 thousand were primarily undertaken in connection with revocatory actions concluded during 2013 in the amount of €220 thousand and customer complaints closed in the amount of €100 thousand.

12.3 Defined-benefit company pension funds

This item is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

12.4 Provisions for risks and charges - other

Provisions for risks and charges consist of the following:

Provision for revocatory actions

This provision stood at €940 thousand as at 31 December 2013 and represents the estimated amount of expected liabilities, calculated specifically with the support of the Bank’s legal counsel, in respect of judicial and extra-judicial actions in which the Bank is a defendant.

Provision for unexpected liabilities

The amount of the provision at 31 December 2013, €2,497 thousand, consists chiefly of the estimate of the expense that the Bank will incur in relation to customers' complaints.

Section 13 - Technical reserves - item 130

This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 14 - Redeemable shares - item 150

This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 15 - Shareholders' equity - items 140, 160, 170, 180, 190, 200 and 220

15.1 Share capital and treasury shares: composition

Shareholders' equity is defined by international accounting standards as "the residual value of an entity's assets after all liabilities have been deducted." From a financial standpoint, equity represents the monetary extent of the resources contributed by the owners or generated by the entity.

Capital management is the set of policies and decisions required to determine the capitalisation level, as well as the optimal combination of the various alternative capitalisation instruments aimed at ensuring that the Banca di Cividale Group's capital and capital ratios are consistent with the risk profile assumed, in full accordance with supervisory requirements.

In further detail, the capital policy adopted by the Group is founded upon the three following approaches:
- full compliance with regulatory requirements (regulatory approach);
- appropriate monitoring of risks associated with banking operations (management approach); and
- support for company development projects (strategic approach).

These approaches correspond to appropriate definitions of capital, specific objectives and particular corporate functions.

From a regulatory point of view, the definition of capital is that set out in supervisory regulations. Ongoing compliance with minimum capital requirements (Pillar 1), which are monitored on a regular basis and considered a constraint during planning, is an essential precondition for operations.

From the point of view of risk management – one of the key functions in banking – capital is considered the main defence against possible unexpected losses generated by the various risks assumed. The amount of capital is optimal if it is sufficient to absorb unexpected losses estimated for a specific confidence interval, thereby guaranteeing the continuity of operations over a specified time period (Pillar 2).

Accordingly, capital management is aimed at governing the Group's current and prospective capital solidity by both monitoring compliance over time with regulatory requirements for Pillar 1 risks and constantly checking overall capital adequacy for Pillar 2 risks.

From the company standpoint, capital adequacy is assessed in reference to funding for assets that yield returns in the long term (fixed assets, equity investments and goodwill), strategic reorganisation processes, turnaround projects and investment needs. Actual access to adequate capital, considered a scarce, costly resource, is associated with the creation of value as a condition for the expected return.

As a cooperative bank with strong local roots, the Banca di Cividale Group implements its capital policy primarily through:
- the gradual expansion of its size and the broad geographical distribution of its owners;
- the issuance of financial instruments (ordinary shares and convertible bonds); and
- ensuring a deep market for its instruments by listing them on regulated markets.

The merger of Banca di Cividale and Nordest Banca into the Parent Company, Banca Popolare di Cividale, authorised by the Bank of Italy on 31 October 2013, was finalised on 28 December 2013 with the execution of the merger agreement, effective from a legal standpoint from 30 December 2013, entailing the issuance of 94,866 ordinary shares of Banca di Cividale S.c.p.A., corresponding to a share capital increase of €285 thousand.

At 31 December 2013, Banca Popolare di Cividale had fully subscribed and paid-in share capital of €51,068 thousand, divided into 17,022,649 ordinary shares without par value.

	31/12/2013	31/12/2012	%
1. Share capital	51.068	50.783	0,6%
2. Share premiums	198.570	196.529	1,0%
3. Reserves	38.920	63.752	-39,0%
4. (Treasury shares)	(7)	(9.740)	99,9%
5. Valuation reserves	8.552	28.730	-70,2%
6. Capital instruments	-	-	-
7. Net income (loss) for the period pertaining to the Group	(35.793)	9.553	-474,7%
Total	**261.309**	**317.748**	**-17,8%**

* The figures have been adjusted as a consequence of the retrospective application of IAS 19. The pertinent impacts are detailed separately in the notes.

15.2 Capital - Number of parent company shares: annual change

	Ordinary	Other
A. Shares at start of year	**16.530.194**	-
- fully paid	-	-
- partly paid	-	-
A.1 Treasury stock (-)	(397.569)	-
A.2 Shares in circulation: opening balance	16.927.763	-
B. Increases	**1.371.054**	-
B.1 New issues	94.886	-
- paid issues:	94.886	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	94.886	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	1.276.168	-
B.3 Other changes	-	-
C. Decreases	**878.896**	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	878.896	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**17.022.352**	-
D.1 Treasury stock (+)	297	-
D.2 Shares at end of the year	17.022.649	-
- fully paid	17.022.649	-
- partly paid	-	-

15.3 Capital: other information

Share capital consists of 17,022,649 ordinary shares with a par value of €3.00 each, for an aggregate total of €51,068 thousand.

Section 16 - Minority interests - item 210

16.1 Minority interests: composition

	31/12/2013	31/12/2012	%
1. Share capital	-	28.027	-100,0%
2. Share premium reserve	-	29.958	-100,0%
3. Reserves	-	753	-100,0%
4. (Treasury stock)	-	-	-
5. Valuation reserves	-	2.219	-100,0%
6. Capital instruments	-	-	-
7. Net income (loss) for the year pertaining to minority interests	-	(3.298)	100,0%
Total	-	**57.659**	**-100,0%**

OTHER INFORMATION

1. Guarantees issued and commitments

	31/12/2013	31/12/2012	%
1) Financial guarantees issued	39.722	30.004	32,4%
a) Banks	3.062	3.164	-3,2%
b) Customers	36.660	26.840	36,6%
2) Commercial guarantees issued	61.620	73.592	-16,3%
a) Banks	1.010	1.302	-22,4%
b) Customers	60.610	72.290	-16,2%
3) Irrevocable commitments to disburse funds	21.702	43.733	-50,4%
a) Banks	-	4.908	-100,0%
i) certain use	-	4.908	-100,0%
ii) uncertain use	-	-	-
b) Customers	21.702	38.825	-44,1%
i) certain use	168	485	-65,4%
ii) uncertain use	21.535	38.340	-43,8%
4) Commitments underlying credit derivatives: sales of protection	-	-	-
5) Assets pledged as collateral for third-party debts	-	7.032	-100,0%
6) Other commitments	-	23.400	-100,0%
Total	**123.044**	**368.823**	**-66,6%**

2 - Assets pledged as collateral for liabilities and commitments

	31/12/2013	31/12/2012	%
1. Financial assets held for trading	-	-	-
2. Financial assets recognized at fair value	-	-	-
3. Financial assets available for sale	1.327.460	1.212.377	9,5%
4. Financial assets held to maturity	105.369	104.063	1,3%
5. Loans to banks	-	-	-
6. Loans to customers	555.748	758.315	-26,7%
7. Property, plant and equipment	-	-	-

Loans to customers include €527,857 thousand of senior notes subscribed for following the self-securitisation transactions finalised in May 2009 and February and July 2012.
In addition, the Bank has committed off-balance sheet securities of €446,465 thousand, of which €280,000 thousand associated with notes issued by BPC and fully repurchased, representative of liabilities guaranteed by the Italian government pursuant to Art. 8 of Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, used as collateral for refinancing transactions with the European Central Bank.

5. Management and intermediation services

	31/12/2013	31/12/2012	%
1. Trading in financial instruments on behalf of third parties	**-**	**-**	**-**
a) Purchases	-	-	-
1. settled	-	-	-
2. not yet settled	-	-	-
b) Sales	-	-	-
1. settled	-	-	-
2. not yet settled	-	-	-
2. Asset management	**230.738**	**244.718**	**-5,7%**
a) individual	230.738	244.718	-5,7%
b) collective	-	-	-
3. Custody and administration of securities	**5.949.437**	**6.862.079**	**-13,3%**
a) third-party securities held as part of depository bank services (excluding portfolio management)	-	-	-
1.securities issued by reporting entity	-	-	-
2. other	-	-	-
b) other third-party securities on deposit (excluding portfolio management): other	1.087.277	1.586.598	-31,5%
1. securities issued by reporting entity	-	561.173	-100,0%
2. other	1.087.277	1.025.424	6,0%
c) third-party securities deposited with third parties	1.074.431	1.122.595	-4,3%
d) securities owned by bank deposited with third parties	3.787.729	4.152.887	-8,8%
4. Other	**-**	**-**	**-**

5 - 6. Financial assets and liabilities presented on a net basis, subject to master netting agreements or similar agreements

IFRS 7 requires that specific disclosure be provided for financial instruments that are set off in the balance sheet pursuant to IAS 32 or that are partially eligible for offsetting, upon the occurrence of certain conditions, in that they are governed by master netting agreements or similar agreements that do not comply with the criteria established by IAS 32 for offsetting in the financial statements.

For the Banca Popolare di Cividale Group, there were no outstanding netting agreements for which balances are to be offset in the balance sheet pursuant to IAS 32.

The financial instruments potentially eligible for offsetting in the tables below are governed by the following agreements:

- for derivative instruments: an ISDA master agreement and clearing house netting agreements;
- for repurchase and reverse repurchase agreements: a master agreement entitled the Global Master Repurchase Agreement (GMRA); and
- for securities lending: the Global Master Securities Lending Agreement (GMSLA).

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statemenst (b)	Net amount of financial assets shown in the financial satements (c = a-b)	Related amounts not offset in the financial statements		Net amount 2013 (f = c-d-e)	Net amount 2012
				Financial instruments (d)	Cash deposits received ass collateral (e)		
1. Derivatives	120	-	120	19	-	101	81
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2013	**120**	**-**	**-**	**-**	**-**	**-**	**X**
Total 31/12/2012	**0**	**0**	**0**	**0**	**0**	**X**	**0**

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial	Net amount of financial assets shown in the financial	Related amounts not offset in		Net amount 2013 (f = c-d-e)	Net amount 2012
				Financial instruments (d)	Cash deposits received ass collateral (e)		
1. Derivatives	773	-	773	343	-	430	621
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2013	**773**	**-**	**773**	**343**	**-**	**430**	**X**
Total 31/12/2012	**-**	**-**	**-**	**-**	**-**	**X**	**-**

Chapter C - NOTES TO THE CONSOLIDATED INCOME STATEMENT
Section 1 - Interest - items 10 and 20

1.1 *Interest income and similar revenues: composition*

	Debt securities	Loans	Other transactions	31/12/2013	31/12/2012	%
1. Financial assets held for trading	346	-	-	346	568	-39,0%
2. Financial assets measured at fair value	-	-	-	-	-	0,0%
3. Financial assets available for sale	30.510	-	-	30.510	30.548	-0,1%
4. Financial assets held to maturity	4.137	-	-	4.137	6.464	-36,0%
5. Due from banks	4.110	1.007	-	5.117	6.739	-24,1%
6. Loans to customers	-	99.939	-	99.939	114.818	-13,0%
7. Hedging derivatives	X	X	66	66	-	-
8. Other assets	X	X	4	4	36	-88,9%
Total	**39.104**	**100.945**	**70**	**140.119**	**159.173**	**-12,0%**

1.2 Interest income and similar revenues: differentials on hedging transactions

As provided for in Bank of Italy Circular No. 262, this table is only compiled if the balance of the negative and positive differentials accrued on hedging derivatives is positive. Since the balance was negative during the year, table 1.5 was instead compiled.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign-currency financial assets

	31/12/2013	31/12/2012	%
Interest income on foreign-currency financial assets - customers	-	176	-100,00%
Interest income on foreign-currency financial assets - securities	-	1	0,00%
Interest income on foreign-currency financial assets - banks	-	10	-100,00%
Total	**-**	**187**	**-100,00%**

1.4 Interest expense and similar charges: composition

	Debt	Securities	Other liabilities	31/12/2013	31/12/2012	%
1. Due to Central banks	4.725	X	-	4.725	6.532	-27,7%
2. Due to banks	2.165	X	-	2.165	6.840	-68,3%
3. Due to customers	27.426	X	-	27.426	21.126	29,8%
4. Securities issued	X	23.344	-	23.344	38.534	-39,4%
5. Financial liabilities held for trading	-	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-	-
7. Other liabilities and allowances	X	X	-	-	-	-
8. Hedging derivatives	X	X	-	-	1.451	-100,0%
Total	**34.316**	**23.344**	**-**	**57.660**	**74.483**	**-22,6%**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign-currency financial liabilities

	31/12/2013	31/12/2012	%
Interest expense on foreign-currency financial assets - customers	(301)	(44)	584,09%
Interest expense on foreign-currency financial assets - securities	-	-	-
Interest expense on foreign-currency financial assets - banks	(2)	(6)	-66,67%
Totale	**(303)**	**(50)**	**506,00%**

Section 2 - Commissions - items 40 and 50

2.1 Commission income: composition

	31/12/2013	31/12/2012	%
a) guarantees issued	1.138	1.215	-6,3%
b) credit derivatives	-	-	-
c) management, intermediation and advisory services:	7.566	8.629	-12,3%
1. trading in financial instruments	-	-	-
2. foreign exchange	586	700	-16,3%
3. asset management	1.794	1.755	2,2%
3.1 individual	1.794	1.755	2,2%
3.2 collective	-	-	-
4. securities custody and administration	395	535	-26,2%
5. depository services	-	-	-
6. securities placement	3.495	3.293	6,1%
7. reception and transmission of orders	640	1.702	-62,4%
8. advisory services	-	5	-100,0%
8.1. on investments	-	5	-100,0%
8.2. on financial structure	-	-	-
9. distribution of third-party services	655	638	2,7%
9.1 asset management	-	-	-
9.1.1 individual	-	-	-
9.1.2 collective	-	-	-
9.2 insurance products	655	638	2,7%
9.3 other	-	-	-
d) collection and payment services	7.266	7.045	3,1%
e) servicing activities for securitizations	-	-	-
f) services for factoring transactions	-	-	-
g) tax collection services	-	-	-
h) management of multilateral trading facilities	-	-	-
i) management of current accounts	6.356	6.654	-4,5%
h) other	6.715	6.741	-0,4%
Total	**29.041**	**30.284**	**-4,1%**

2.2 Commission expense: composition

	31/12/2013	31/12/2012	%
a) guarantees received	7	-	100,0%
b) credit derivatives	-	-	-
c) management and intermediation services:	43	198	-78,3%
1. trading in financial instruments	26	40	-35,0%
2. foreign exchange	-	-	-
3. asset management	-	-	-
3.1 own portfolio	-	-	-
3.2 third-party portfolio	-	-	-
4. securities custody and administration	-	-	-
5. placement of financial instruments	17	158	-89,2%
6. off-premises distribution of securities, products and services	-	-	-
d) collection and payment services	2.292	2.170	5,6%
e) other services	4.411	4.393	0,4%
Total	**6.754**	**6.761**	**-0,1%**

Section 3 - Dividends and similar income - item 70

3.1 Dividends and similar income: composition

	31/12/2013		31/12/2012		%
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings	
A. Financial assets held for trading	13	-	21	-	-38,1%
B. Financial assets available for sale	983	-	750	-	31,1%
C. Financial assets recognised at fair value	-	-	-	-	0,0%
D. Equity investments	-	X	-	X	0,0%
Total	**996**	**-**	**771**	**-**	**29,2%**

Section 4 - Net trading income or loss - item 80

4.1 Net trading income or loss: composition

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	**6**	**680**	**469**	**187**	**30**
1.1 Debt securities	6	680	469	-	217
1.2 Equity securities	-	-	-	187	(187)
1.3 Units in collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	0	(0)
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.2 Other	-	-	-	0	(0)
3. Other financial assets and liabilities: exchange differences	X	X	X	X	-
4. Derivatives	8.049	2.228	8.037	2.021	392
4.1 Financial derivatives	8.049	2.228	8.037	2.021	392
– on debt securities and interest rates	8.049	2.228	8.037	2.021	220
– on equity securities and equity indices	-	-	-	-	-
– on foreign currencies and gold	X	X	X	X	173
– other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**8.055**	**2.908**	**8.505**	**2.208**	**423**

Section 5 - Net fair value changes in hedge accounting - item 90

5.1 Net fair value changes in hedge accounting: composition

	31/12/2013	31/12/2012	%
A. Income on:			
A.1 Fair value hedges	5.184	10.720	-51,6%
A.2 Hedged financial assets (fair value)	-	14.314	-100,0%
A.3 Hedged financial liabilities (fair value)	-	-	N.S.
A.4 Cash flow hedges	-	6.917	-100,0%
A.5 Assets and liabilities in foreign currencies	-	-	-
Total income on hedging activities (A)	5.184	31.951	-83,8%
B. Expense on:			-
B.1 Fair value hedges	5.238	7.325	-28,5%
B.2 Hedged financial assets (fair value)	-	-	-
B.3 Hedged financial liabilities (fair value)	-	10.257	-100,0%
B.4 Cash flow hedges	-	13.250	-100,0%
B.5 Assets and liabilities in foreign currencies	-	-	-
Total expense on hedging activities (B)	5.238	30.832	-83,0%
C. Net gain (loss) on hedging activities (A-B)	(54)	1.118	-104,8%

Section 6 - Profit (loss) on disposal or repurchase - item 100

	Total 31/12/2013			Total 31/12/2012		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	1.082	1	1.081	69	32	37
2. Loans to customers	56	285	(229)	1.052	1.024	28
3. Financial assets available for sale	55.356	3.769	51.587	22.253	10.657	11.596
3.1 Debt securities	55.356	3.769	51.587	22.253	10.657	11.596
3.2 Equity securities	-	-	-	-	-	-
3.3 Units in collective investment undertakings	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	56.494	4.055	52.439	23.374	11.713	11.661
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	151	1.957	(1.806)	488	3.270	(2.783)
Total liabilities	151	1.957	(1.806)	488	3.270	(2.783)

Gains on financial assets available for sale refer largely to the disposal of Italian government bonds.

Section 7 – Profit (loss) on financial assets and liabilities designated at fair value - item 110

This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 8 - Charges/write-backs on impairment - item 130

8.1 Charges/write-backs on impairment of loans: composition

	Writedowns (1)			Writebacks (2)				31/12/2013	31/12/2012
	Specific			Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(504)	(113.774)	(7.506)	170	1.609	-	1.094	(118.911)	(40.543)
Non performing loans purchase	-	-	-	-	-	-	-	-	-
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other	(504)	(113.774)	(7.506)	170	1.609	-	1.094	(118.911)	(40.543)
- Loans	(504)	(113.774)	(7.506)	170	1.609	-	1.094	(118.911)	(40.543)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(504)**	**(113.774)**	**(7.506)**	**170**	**1.609**	**-**	**1.094**	**(118.911)**	**(40.543)**

Key A = interest B = other write-backs

8.2 Charges/write-backs on impairment of financial assets available for sale: composition

	Writedowns (1)		Writebacks (2)		31/12/2013 (3)	31/12/2012	%
	Specific		Specific				
	Write offs	Other	A	B			
A. Debt securities	-	-	-	-	-	-	-
B. Equity securities	-	(7.792)	X	X	(7.792)	(836)	-832,0%
C. Units in collective investment undertakings	-	(1.489)	X	-	(1.489)	-	-
D. Loans to banks	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-
F. Total	**-**	**(9.281)**	**-**	**-**	**(9.281)**	**(836)**	**-1010,1%**

Key
A = interest
B = other write-backs

8.3 Charges/write-backs on impairment of financial assets held to maturity: composition
Not applicable.

8.4 Charges/write-backs on impairment of other financial transactions: composition

	Writedowns (1)			Writebacks (2)				31/12/2013	31/12/2012	%
	Specific		Portfolio	Specific		Portfolio				
	Writeoffs	Other	Portfolio	A	B	A	B			
A. Guarantees issued	-	-	-	-	38	-	4	42	47	-10,6%
B. Credit derivatives	-	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-	-
E. Total	-	-	-	-	38	-	4	42	47	-10,6%

Section 9 - Net premiums - item 150
This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 10 - Balance of other income and expenses from insurance operations - item 160
This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 11 - G&A expenses - item 180

11.1 Personnel expenses: composition

	31/12/2013	31/12/2012	%
1) Employees	39.578	39.018	1,4%
a) wages and salaries	27.174	26.182	3,8%
b) social security contributions	7.258	7.275	-0,2%
c) severance benefits	12	66	100,0%
d) pensions	25	28	-10,7%
e) allocation to employee severance benefit provision	2.067	1.790	15,5%
f) allocation to provision for pensions and similar liabilities	-	-	-
- defined contribution	-	-	-
- defined benefit	-	-	-
g) payments to external pension funds	1.220	1.216	0,3%
- defined contribution	1.220	1.216	0,3%
- defined benefit	-	-	-
h) costs in respect of agreements to make payments	-	-	-
in own equity instruments	-	-	-
i) other employee benefits	1.821	2.461	-26,0%
2) Other personnel	513	273	88,2%
3) Board of Directors	1.119	1.385	-19,2%
4) Early retirement costs	-	-	-
5) Recovery of expenses for employees seconded to other companies	(113)	(983)	88,5%
6) Reimbursement of expenses for employees seconded to the company	211	1.033	-79,6%
Total	**41.308**	**40.726**	**1,4%**

11.2 Average number of employees by category: banking group

	2013	2012
Employees		
a) Senior management	9	10
b) Middle management	230	229
of which Grade III and IV	107	105
c) Other personnel	354	356
Total	**593**	**595**

11.3 Defined-benefit pension plans: total expense

Not applicable.

11.4 Other employee benefits

Other employee benefits include €554 thousand in meal vouchers and €586 thousand in insurance policies.

11.5 Other administrative expenses: composition

	31/12/2013	31/12/2012	%
Compensation for professional and consultancy services	4.595	3.045	50,9%
Insurance	243	205	18,8%
Advertising	742	758	-2,2%
Telephone, postal and data transmission	789	733	7,7%
Office supplies and printing	489	472	3,7%
Maintenance and repairs	916	762	20,1%
Electricity, heating and shared property service charges	919	979	-6,1%
Services provided by third parties	10.160	10.777	-5,7%
Cleaning	566	519	9,1%
Travel expenses	1.273	1.141	11,6%
Security and transport of valuables	195	155	26,4%
Membership fees	521	553	-5,7%
Commercial information	1.106	1.115	-0,8%
Magazine and newspaper subscriptions	69	67	2,2%
Rent payable	2.615	2.831	-7,6%
Entertaining expenses	192	206	-6,9%
Taxes and duties	6.129	5.106	20,0%
Other expenses	1.182	3.062	-61,4%
Total	**32.702**	**32.485**	**0,7%**

Section 12 - Net provisions for risks and charges - item 190

12.1 Net provisions for risks and charges: composition

	31/12/2013	31/12/2012	%
customer disputes	(1.731)	(2)	-86450,0%
provision for legal disputes	(529)	(50)	-958,0%
revocatory actions	(150)	(806)	81,4%
Total	**(2.410)**	**(858)**	**-180,9%**

Section 13 - Charges/write-backs on impairment of property, plant and equipment - item 200

13.1 Charges/write-backs on impairment of property, plant and equipment: composition

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 2011	Net adjustments 2010	%
A. Property, plant and equipment						
A.1 owned	(1.266)	-	-	(1.266)	(1.331)	-4,9%
- operating assets	(1.266)	-	-	(1.266)	(1.331)	-4,9%
- investment property	-	-	-	-	-	-
A.2 acquired under finance leases	-	-	-	-	-	-
- operating assets	-	-	-	-	-	-
- investment property	-	-	-	-	-	-
Total	**(1.266)**	**-**	**-**	**(1.266)**	**(1.331)**	**4,9%**

Section 14 - Charges/write-backs on impairment of intangible assets - item 210

14.1 Charges/write-backs on impairment of intangible assets: composition

	Amortization (a)	Writedow ns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 2013
A. Intangible assets				
A.1 Ow ned	(108)	-	-	(108)
- generated internally by the Bank	-	-	-	-
- other	(108)	-	-	67
A.2 Acquired under finance leases	-	-	-	-
Total	**(108)**	**-**	**-**	**(108)**

Section 15 - Other operating income/expenses - item 220

15.1 Other operating expenses: composition

	31/12/2013	31/12/2012	%
- impairment losses on non-current assets under finance leases	-	-	-
- losses on disposal of property, securities held as non-current assets, equity investments, other assets	-	-	-
- out-of-period expenses and reductions in assets	(721)	(632)	-14,1%
- other	(310)	(198)	-56,3%
Total	**(1.031)**	**(830)**	**24,2%**

15.2 Other operating income: composition

	31/12/2013	31/12/2012	%
a) merchant banking	-	-	-
b) premiums received for options	-	-	-
c) other income - rentals and fees	90	77	17,9%
d) expenses charged to others - recovery of taxes	5.377	4.615	16,5%
e) expenses charged to others - customer insurance premiums	-	-	-
f) expenses charged to others on deposits and current accounts	283	40	606,1%
g) expenses charged to others - intercompany services	-	-	-
h) expenses charged to others - other	1.267	1.563	-18,9%
i) gains on disposal of property, securities held as non-current assets, equity investments, other assets	-	-	-
l) out-of-period income and reductions in liabilities	607	2.064	-70,6%
Total	**7.625**	**8.359**	**-8,8%**

Section 16 - Profit (loss) on equity investments - item 240

16.1 Profit (loss) on equity investments: composition

	31/12/2013	31/12/2012	%
1) Joint ventures			-
A. Gains	-	-	-
1. Revaluations	-	-	-
2. Gains on disposals	-	-	-
3. Writebacks	-	-	-
4. Other increases	-	-	-
B. Losses	-	-	-
1. Writedowns	-	-	-
2. Impairments	-	-	-
3. Losses on disposals	-	-	-
4. Other decreases	-	-	-
Net gain (loss)	-	-	-
2) Companies subject to significant influence	-	-	-
A. Gains	282	1.141	-75,28%
1. Revaluations	-	-	-
2. Gains on disposals	-	409	-100,00%
3. Writebacks	-	-	-
4. Other increases	282	732	-61,48%
B. Losses	1.051	-	-
1. Writedowns	1.051	-	-
2. Impairments	-	-	-
3. Losses on disposals	-	-	-
4. Other decreases	-	-	-
Net gain (loss)	**(769)**	**1.141**	**-167,40%**
Total	**(769)**	**1.141**	**-167,40%**

Section 17 – Net adjustment to the fair value of property, plant and equipment and intangible assets – item 250

This section is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Section 18 - Goodwill impairment - item 260

Not applicable.

Section 19 - Profit (loss) on disposal of investments - item 270

19.1 Profits (loss) on disposal of investments: composition

	31/12/2013	31/12/2012	%
A. Land and buildings	-	356	-100,0%
- Gains on disposal	-	356	-100,0%
- Losses on disposal	-	-	-
B. Other assets	-	-	-
- Gains on disposal	-	-	-
- Losses on disposal	-	-	-
Net gain (loss)	-	**356**	**-100,00%**

Section 20 - Taxes on income from continuing operations - item 290

20.1 Taxes on income from continuing operations: composition

	31/12/2013	31/12/2012	%
1. Current taxes (-)	(18.823)	(13.328)	-41,2%
2. Changes in current taxes from previous periods (+/-)	-	-	-
3. Reduction of current taxes for the period (+)	-	-	-
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	293	-100,0%
4. Change in deferred tax assets (+/-)	26.855	5.436	394,1%
5. Change in deferred tax liabilities (+/-)	(452)	(423)	-6,7%
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	**7.581**	**(8.022)**	**194,5%**

20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

	2013	2012
Income (loss) before tax from continuing operations	(43.375)	14.348
Income (loss) before tax on assets held for sale	-	-
Taxable income	(43.375)	14.348
Theoretical tax expense - Ires	11.928	(3.946)
Effect of non-deductible negative components of income	159	1.360
Effect of non-taxable positive components of income	(4.103)	(2.467)
Actual tax expense - Ires	**7.984**	**(5.053)**
Income (loss) before tax from continuing operations	(43.375)	13.756
Income (loss) before tax on assets held for sale	-	-
Taxable income	(43.375)	13.756
Theoretical tax expense - Irap	2.017	(513)
Effect of non-deductible negative components of income	27	530
Effect of non-taxable positive components of income	(2.447)	(2.986)
Actual tax expense - Irap	**(403)**	**(2.969)**

Section 21 - Income (loss) after tax from discontinued operations - item 310

Not applicable.

Section 22 - Minority interest - item 330

Not applicable.

Section 23 - Other information

There is no additional information to report beyond that provided in the previous sections.

Section 24 - Earnings per share

24.1 Average number of ordinary shares (fully diluted)

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. The following table presents basic earnings per share and the details of the calculation.

Basic Earning per share	31/12/2013	31/12/2012
Adjusted attributable profit	(35.793)	9.553
Weighted average number of shares	16.634.078	16.634.078
Basic Earning per share	**(2,152)**	**0,574**

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

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

Chapter D – CONSOLIDATED COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gross amount	income taxes	Net amount
10. Net profit (loss) for the year	**X**	**X**	**(35.793)**
Other components of income without reversal to profit and	-	-	-
40. Defined benefit plans	172	(13)	185
100. AFS financial assets:	(13.174)	(2.528)	(10.646)
a) Fair value changes	(13.174)	(2.528)	(10.646)
130. Total other income	**(13.002)**	**(2.541)**	**(10.461)**
140. Comprehensive income	**-**	**-**	**(46.253)**
150. Comprehensive income attributable to Minority Interests			-
160. Consolidated comprehensive income attributable to the Parent Company			**(46.253)**

Chapter E - RISKS AND HEDGING POLICIES

Identifying the risks to which the Group is potentially exposed is crucial for assuming such risks in an informed manner and managing them effectively, using the appropriate tools and techniques to mitigate those risks.

Its internal rules, operating procedures and monitoring structures designed to protect against business risks have been developed 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.

The management and monitoring of risks within the Banca Popolare di Cividale Group are founded upon the following basic principles:

- identifying responsibilities for assuming risks;
- adopting consistent, adequate measurement and control systems in formal and substantial terms in light of the extent of the risks to be monitored; and
- organisational separation of functions responsible for management and functions responsible for control.

As the body responsible for strategic supervision, the Parent Company's Board of Directors establishes policies governing the assumption of risks and draws upon company departments in supervising and measuring risks, on the one hand, and implementing policies, on the other.

In the context of the merger project, which entailed the merger of the two pre-existing banking companies, Banca di Cividale and Nordest Banca, a revision of the internal organisational structure was mandated. The new organisational structure and organisational rules of Banca Popolare di Cividale, approved by the Board of Directors on 17 December 2013, have been in effect since 30 December 2013.

The new organisational rules, in accordance with the new supervisory rules (Bank of Italy Circular No. 263/2007, 15th update of 2 July 2013), identify the Risk Management Service and Compliance Service, which are to report directly to the Board of Directors, as the second-level control functions. This is also assured for the Auditing Department, a level-three control function that is independent of the other company units.

Risk Management Service

It performs a risk control function, as prescribed by the specific supervisory rules. It is organised into two units: the Credit Risk Management Office, which focuses on credit and concentration risk, and the Operational and Financial Risks Office, which focuses specifically on "financial risks" (liquidity, market and interest rate risk) and other risks (operational and reputation). The Risk Management Service pursues the objective of monitoring the actual risk assumed by the Bank, as well as observance of operating limits. In pursuit of this goal, it proposes the most appropriate quantitative and qualitative parameters and verifies the efficacy of the measures assumed to remedy the deficiencies observed in the risk management process, periodically reporting to company bodies on the activities it performs. It coordinates the preparation of the ICAAP report and monitors the performance of capital ratios, proposing policies aimed at ensuring that the capital base is consistent with the overall degree of risk assumed.

Compliance Service

Legal compliance is the responsibility of an independent function that supervises management of non-compliance risk at the Group level, according to a risk-based approach, for all company activity, ensuring that internal procedures are adequate to prevent that risk. The Compliance function reports to the Compliance Service and is also responsible for supervising legal compliance for financial intermediation and complaints handling services. The Anti-Money Laundering function also reports to the Compliance Service and pursues the objective of preventing and managing the risk of non-compliance with laws governing money-laundering and financing for terrorism. The Head of the Compliance Service acts as the head of both functions for supervisory purposes, in addition to serving as the party responsible for reporting suspect transactions pursuant to Legislative Decree No. 231/07.

According to the Group's organisational model, a Group Management Committee and an Asset and Liability Committee have been instituted, with the additional aim of ensuring an effective exchange of information regarding exposure to such risks between the various segments and maximising the efficacy of the overall control of those risks. The Group's Management Committee, the members of which also include the heads of control functions, supports the general management in operational coordination of the guidelines established with the Strategic Plan and periodically compares company results with the objectives established in the Plan. The ALCo (Assets and Liabilities Committee), of which the Risk Manager is a member, is charged with proposing the Group's strategic decisions in financial matters to the Board of Directors, through the General Manager, as well as with coordinating management policies for assets, liabilities and the associated risks, in light of market scenarios and the guidelines established in the current Strategic Plan.

In the first half of 2014, the Banca Popolare Group has planned an overhaul of its risk management process in accordance with the new provisions governing the rules for the internal control system (Bank of Italy Circular No. 263/2007, 15th update of 2 July 2013), in particular through the introduction of a Risk Appetite Framework ("RAF"), i.e. the framework of reference that defines, in accordance with the maximum assumable risk, business model and strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the processes of reference required to define and implement them.

ICAAP at the Banca Popolare di Cividale Group

In accordance with the regulatory provisions governing the prudential control process, the Group has implemented specific company rules, approved by the Parent Company's Board of Directors and periodically updated, that regulate the internal capital adequacy assessment process (ICAAP). The supervisory regulations require that ICAAP be based on appropriate company risk-management systems and presuppose adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal-control system. The corporate boards are responsible for the process and enjoy full autonomy in defining its structure and organisation to the extent of their respective expertise and prerogatives. They implement and promote updates to ICAAP with the aim of ensuring that it constantly adheres to the Group's operational characteristics and strategic context. The process must be formalised, documented, internally audited and approved by the corporate boards. In detail, the process aims to:

- identify capital requirements on the basis of actual risk and the strategic guidelines set by the Group;
- ensure that capital is constantly adequate to current and prospective needs;
- keep all major risks under observation;
- ensure that regular attention is devoted to risk-measurement and -management processes, developing an increasingly strong "risk culture"; and
- define approaches, tools, methods, and organisational and control systems for risks and capital commensurate to the Group's strategies, characteristics, scope and complexity, with a view towards constant, gradual refinement.

In April of each year, at the conclusion of the process described above, the Parent Company's Board of Directors approves the ICAAP Report at 31 December of the previous year, which represents both the point of convergence and end result of financial planning, risk management and capital management and a tool to be used in strategic evaluation and implementation of business decisions.

ICAAP is aimed at expressing an assessment that total capital is essentially currently and prospectively adequate to cover the relevant risks to which the Group is exposed, support the company's growth plans and maintain suitable market standing.

The disclosure obligations of Pillar Three of the Basel 2 rules are discharged at the Group level through the preparation of the Public Disclosure document published on the company website, www.civibank.it, in the specific section Investor Relations/Financial Statements and Reports/Basel 2 Public Disclosure. The document contains a disclosure for market operators of information concerning capital adequacy, risk exposure and the general characteristics of management systems and the oversight thereof. The information, which is both qualitative and quantitative in nature, is provided through concise overviews, thus fostering the transparency and comparability of the data.

SECTION 1 – CREDIT RISK
1.1 CREDIT RISK
QUALITATIVE DISCLOSURES

1. General aspects

Lending to support local economic development in the area where the Group operates is a key factor in determining the strategies of the Banca Popolare di Cividale Group.
Our aggregate growth policy, partly achieved through network expansion, continues to pursue the goal of improving credit quality, in part through the ongoing enhancement of the tools used to monitor individual positions and analyse the distribution of lending by segment and branch of economic activity.
Most recently, with the introduction of models for analysing loan performance and scoring systems, work has focused on adding capabilities for forecasting developments in the loan portfolio.

2. Credit risk management policies

2.1 Organisational aspects

The organisational structure of the Group’s Lending area is designed to ensure efficient selection of individual borrowers by analysing creditworthiness and minimising the risk of default, giving preference to lending for commercial purposes or for new productive investments, rather than merely financial initiatives. These objectives are pursued through the adoption of specific operating methods in all phases of customer relations management (loan application, loan granting, monitoring and non-performing positions).
From the very start of the loan assessment and granting process, risk is controlled by ascertaining evidence of customer reliability through an assessment of the current and future ability to generate sufficient income and suitable cash flows.
This information forms the basis of the assessment of the nature and extent of the proposed loan, taking into account the applicant's effective needs, developments in any existing credit relationship and the presence of any links between the customers and other borrowers.
The loan disbursement process provides for different levels of independence among Bank branches depending on the size of the loan. For larger amounts, with further distinctions made by risk profile, positions are evaluated by the competent governing bodies and headquarters.

2.2 Management, measurement and control systems

The credit risk assessment and management process assesses the full range of traditional quantitative (income components, financial analysis and internal and systemic performance data) and qualitative factors (extensive knowledge of customers and the competitive environment in which they operate, as well as sector analysis). The factors considered in the decision-making process are supplemented by the full complement of databases available to assist banks, such as the Central Credit Register and Small Loans Register. The entire process is managed through the Electronic Lending Procedure, implemented according to a decision-making mechanism based on rating class.
After a loan is approved and disbursed, the position is assessed over time (on a fixed date or at defined intervals), initially by the branches, which are responsible for specific daily and monthly activities, as well as by the geographical areas. These are also home to new specialised professionals known as credit quality managers, who support area heads in all activities within their purview relating to promotion, prevention and monitoring of credit quality. Further assessments may be launched upon the reports or initiatives of dedicated units, foremost among which is the Group’s Credit Monitoring Office, which is responsible for loan performance control, conducted through IT procedures aimed at identifying potentially anomalous situations, broken down into two main phases:

- daily monitoring of anomalies on the basis of information obtained through managing the relationship with the customer; and
- systematic surveillance with the use of automated systems with the aim of identifying in a timely manner positions that present signs of deterioration of the risk profile in order to include them in a specific process for managing anomalous positions.

Anomalously performing loans are classified into various categories depending on the risk level, such as loans past due by more than 90 days, substandard loans (exposures to parties in a situation of temporary difficulty that it is expected may be overcome in a suitable period of time), restructured loans and bad debts (exposures to parties in a state of insolvency or substantially equivalent situations).

The new organisational structure calls for internal control of credit risk to be performed by the Credit Risk Management Office, which through specific periodic reports pursues the objective of monitoring and measuring the level of credit risk associated with the Group's loan portfolio. The information base consists of the data provided by the Central Risks Database, general records database and economic groups database. In further detail, the quarterly reports, which are presented to the boards of directors of the Parent Company and Civileasing, envisage:

- an analysis of the composition and performance of the loans portfolio, with an emphasis on credit quality, including a breakdown of loans into performing and non-performing (restructured, past-due, substandard and bad debts) and a comparison with the industry benchmark; the analysis also includes the transition matrices and the calculation of default rates;
- a qualitative analysis of risk profiles from a "strategic" standpoint;
- an analysis of concentration risk for single names and associated groups and an analysis of concentration risk by geographical area and sector, with a calculation of capital requirements as well.

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

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

2.3 Credit risk mitigation techniques

Operating procedures for the proper acquisition, use and management of guarantees have been established in specific internal rules with the aim of ensuring consistent, uniform operations.

Guarantees are acquired through an operational procedure that ensures an assessment of the formal and substantive validity of documentation that includes ascertaining the legal capacity to contract required to provide the guarantee in question. Checks are supplemented at the central level, where securities are held and contracts managed. In the case of pledges, only specified, easily liquidated assets are eligible for acquisition and valuation under the procedure. In cases of mortgages, assets are valued by independent appraisers, except in special, low-value cases, in accordance with the Italian Banking Association Property Appraisal Guidelines, adopted by the Group.

The guarantees acquired that comply with the generic and specific suitability criteria established by supervisory legislation for the mitigation of credit exposures are also used to determine capital requirements.

In the case of property guarantees in particular, the Group has entered into a specific agreement with an external provider for the periodic updating of the market value of properties provided as collateral or subject to finance lease, on statistical bases, in order to ensure "property supervision." For exposures of more than €3 million, the Group has the appraisals revised by an independent expert each year.

Before personal guarantees are accepted, checks are usually made at the competent register of deeds to ascertain the guarantor's actual real-estate portfolio, bearing in mind the possibility of a rapid, unexpected depletion of the asset base.

Guarantees are always considered to be a subsidiary element in the assessment of loan applications and are not sufficient alone for a loan to be granted.

2.4 Non-performing financial assets

The Legal Department collaborates with the Loan Monitoring Unit in managing non-performing loans (substandard and bad debt positions) according to the technical and organisational procedures and methods illustrated in this section.

Positions classified as substandard are identified by the Loan Monitoring Unit according to a series of analyses concerning internal trend indicators, the return flow of data from central credit registers, sector data, data from the financial statements of individual borrowers and any adverse recordation and/or registration.

Classification of individual positions as substandard is decided by the competent bodies, usually on the recommendation of the Loan Monitoring Unit, and also according to supervisory criteria for identifying what are known as "objective substandard positions."

The amount of provisions to be recognised is also determined during the decision-making process. Likewise, the competent bodies also decide whether to remove substandard status and reclassify the loan among ordinary positions.
Once a loan is classified as substandard or "watch-list," the decision-making powers of individual loan officers are suspended and any further decision on extending loans rests solely with collegial bodies. Substandard loans are systematically monitored by the Loan Monitoring Unit, which provides ongoing support to individual branches concerning methods of handling positions and the steps to be taken to restore the positions to performing status.
The Legal Department is responsible for managing bad debts within the Group. The procedure for classifying a position as a bad debt is analogous to that used for managing substandard loans. Decisions concerning the amounts of individual provisions, as well as any changes, are made by the competent bodies upon the recommendation of the Legal Department.
The non-performing loan management process begins with the constant monitoring of the status of individual loan recovery procedures and the monitoring of bad debt status by mapping them using a large number of selection criteria (amount category, procedure status, position manager, etc.). All changes relating to non-performing financial assets are examined monthly by the boards of directors.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING POSITIONS: AMOUNTS, WRITE-DOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

	Banking Group						Other companies		Total
	Bad debts	Substandard loans	Restructured positions	Non performing, expired	Performing, expired loans	Other assets	Non performing	Other assets	
1. Financial assets held for trading	-	-	-	-	-	3.512	-	-	3.512
2. Financial assets available for sale	-	-	-	-	-	1.396.685	-	-	1.396.685
3. Financial assets held to maturity	-	-	-	-	-	105.413	-	-	105.413
4. Due from banks	-	-	-	-	-	163.750	-	-	163.750
5. Loans to customers	158.856	148.158	11.165	44.119	285.398	2.466.137	-	-	3.113.834
6. Financial assets recognized at fair value	-	-	-	-	-	-	-	-	-
7. Financial assets being divested	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2013	**158.856**	**148.158**	**11.165**	**44.119**	**285.398**	**4.135.497**	**-**	**-**	**4.783.194**
Total 31/12/2012	**122.028**	**142.954**	**47.803**	**45.897**	**-**	**4.639.098**	**-**	**-**	**4.997.780**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

	Impaired assets			Other assets			
	Gross exposure	Specific writedowns	Net exposure	Gross exposure	Portfolio writedowns	Net exposure	Total net exposure
A. Banking Group							
1. Financial assets held for trading	-	-	-	X	X	3.512	3.512
2. Financial assets available for sale	-	-	-	1.396.685	-	1.396.685	1.396.685
3. Financial assets held to maturity	-	-	-	105.413	-	105.413	105.413
4. Due from banks	-	-	-	163.750	-	163.750	163.750
5. Loans to customers	654.593	(292.295)	362.299	2.769.648	(18.112)	2.751.536	3.113.834
6. Financial assets measured at fair value	-	-	-	X	X	-	-
7. Financial assets being divested	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total A.	**654.593**	**(292.295)**	**362.299**	**4.435.495**	**(18.112)**	**4.420.895**	**4.783.194**
B. Other consolidated companies	-	-	-	-	-	-	-
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets measured at fair value	-	-	-	X	X	-	-
7. Financial assets being divested	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B.	-	-	-	-	-	-	-
Total 31.12.2013	**654.593**	**- 292.295**	**362.299**	**4.435.495**	**- 18.112**	**4.420.895**	**4.783.194**
Total 31.12.2012	**538.013**	**179.331**	**358.682**	**4.640.599**	**12.699**	**4.639.098**	**4.997.780**

In its letter dated 16 February 2011, the Bank of Italy requested a breakdown by portfolio of "performing exposures" by amount of time past due, distinguishing between renegotiated exposures and other exposures. With respect to the Bank's situation, it should be remarked that the portfolio of performing loans to customers includes exposures renegotiated under collective agreements of €5,113 thousand. The other portfolios do not contain exposures renegotiated under collective agreements.
As specified in the Bank of Italy's *Technical Note* of February 2012:

- for exposures subject to repayment in instalments with at least one instalment past due, the entire amount of the exposure as carried is reported as "past due"; and
- for "revocable" credit facilities where the established credit limit has been exceeded (even where due to the compounding of interest), the entire amount of the exposure is reported.

Accordingly, the figures presented in the following table refer primarily to portions of loans that have yet to come due.

Forborne exposures
On 21 October 2013, the EBA (European Banking Authority) issued the final draft of a specific technical standard in which it provided a definition of "forborne exposures" (restructured loans and loans subject to renegotiation procedures).
Forborne positions may occur amongst both performing and non-performing loans and may be attributed to exposures in which the Bank has granted the following to the customer due to the financial difficulties experienced by the latter:
• a change of the previous contractual terms and conditions, inasmuch as the borrower is unable to pay due to financial difficulties, where such a change would not have been permitted if the borrower was not experiencing financial difficulties; or
• partial or total refinancing of the borrower, which would not have been granted if the borrower was not experiencing financial difficulties, where "refinancing" means a new contract that allows the original contract to be repaid in whole or in part.
The definition of "forborne exposure" applies to all loans and debt instruments, with the exception of those included in the category held for trading.
The forborne category differs from the renegotiation of credit positions not due to financial difficulties experienced by the borrower, granted by the Bank with respect to performing loans to customers, which in substance is similar to the opening of a new position, when it is essentially done for commercial reasons, provided that the interest rate applied is a market rate at the renegotiation date.
The scope of "forborne exposures" does not coincide with exposures renegotiated within the framework of the collective agreements presented above in that such agreements are not the type of renegotiation agreements potentially relating to forborne exposures, and the necessary condition for identifying an exposure as "forborne" is the existence of a situation of financial difficulty of the borrower.
The scope of application of the disclosure concerning forborne positions is also broader than the definition of "restructured loan" according to the Bank of Italy rules.

Past-due performing exposures
The accounting standard IFRS 7 requires that for all financial assets not subject to impairment losses, entities must disclose the age of the past-due exposure that results when the counterparty fails to make payment on the contractually required due dates. This disclosure is presented in the following table. It bears remarking that:

- for exposures subject to repayment in instalments with at least one instalment past due, the entire amount of the exposure as carried is reported as "past due"; and
- for "revocable" credit facilities where the established credit limit has been exceeded (even where due to the compounding of interest), the entire amount of the exposure is reported.

Accordingly, the figures presented in the following table primarily refer to shares of loans that have not yet come due, in accordance with the figures presented in the column "Performing past-due exposures" of the table "A.1.1 – Distribution of loan exposures by portfolio and credit quality (book values)." Exposures renegotiated within the framework of collective agreements are also presented with the days past due. It should be noted that the provisions provided by the Bank of Italy call for renegotiation to result in a freeze of the calculation of days of inclusion in the past-due category for the entire period of effectiveness of the suspension. The following table presents a breakdown of past-due exposures by portfolio and time past due:

	Up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year	Total net exposure
Renegotiated exposures under collective agreements	313	478	-	-	791
Other exposures	290.695	5.417	1.439	112	297.663

Simplified composition with creditors and composition with creditors on a going-concern basis

In its letter of 10 February 2014, the Bank of Italy required that adequate disclosure be provided concerning the extent and performance of exposures subject to simplified composition with creditors and composition with creditors on a going-concern basis. In further detail, borrowers may apply for simplified composition with creditors by filing only their financial statements for the past three years and a list of their creditors, while reserving the option of filing the proposal, plan and additional documentation at a later date, within a term set by the judge of between 60 and 120 days (in justified cases, the term may be extended for an additional 60 days). Within that term, the borrower may also apply to the judge for approval of a debt-restructuring agreement. On the other hand, the mechanism of composition with creditors on a going-concern basis allows borrowers in crisis situations to present a composition plan envisaging one of the three following scenarios: i) continuation of business activity by the borrower; ii) disposal of the company on a going-concern basis; or iii) contribution of the company to one or more entities, including newly incorporated entities.

The amendments (Law No. 134/2012, enacting Law Decree No. 83/2012, the “Development Decree,” and Law No. 98/2013, enacting Law Decree No. 69/2013) were introduced with the aim of promoting the early emergence of difficulty for an entrepreneur in meeting his obligations, as well as fostering the continuation of operation where certain requirements have been met.

With respect to the Bank’s situation, it should be remarked that the portfolio of loans to customers includes gross exposures subject to simplified composition and composition on a going-concern basis classified to bad debt non-performing exposures of €4,506 thousand and to substandard non-performing exposures of €11,922 thousand.

A.1.3 On- and off-balance sheet exposures to banks: gross and net values

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad loans	-	-	X	-
b) Substandard loans	-	-	X	-
c) Restructured positions	-	-	X	-
d) Past due positions	-	-	X	-
e) Other assets	203.444	X	-	203.444
TOTAL A	**203.444**	**-**	**-**	**203.444**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	-	-	X	-
b) Other	4.395	X	-	4.395
TOTAL B	**4.395**	**-**	**-**	**4.395**
TOTAL A + B	**207.839**	**-**	**-**	**207.839**

A.1.6 On- and off-balance-sheet exposures to customers: gross and net values

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad loans	379.049	220.193	X	158.856
b) Substandard loans	212.258	64.100	X	148.158
c) Restructured positions	13.545	2.380	X	11.165
d) Past due positions	49.741	5.622	X	44.119
e) Other assets	4.235.446	X	18.112	4.217.334
TOTAL A	**4.890.039**	**292.295**	**18.112**	**4.579.632**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	3.874	46	X	3.828
b) Other	115.604	X	784	114.820
TOTAL B	**119.478**	**46**	**784**	**118.648**
TOTAL A + B	**5.009.518**	**292.341**	**18.896**	**4.698.281**

A.1.7 On-balance sheet exposures to customers: changes in gross non-performing positions

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**266.911**	**170.826**	**50.137**	**50.139**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**132.073**	**125.922**	**1.441**	**42.780**
B.1 from performing positions	42.704	72.056	228	42.509
B.2 transfers from other categories of impaired positions	81.238	46.570	705	12
B.3 other increases	8.131	7.296	508	259
C. Decreases	**19.935**	**84.490**	**38.033**	**43.178**
C.1 to performing positions	-	810	591	8.807
C.2 writeoffs	5.129	-	-	-
C.3 collections	10.148	19.395	1.817	5.553
C.4 assignments	3.258	-	-	-
C.5 transfers to other categories of impaired positions	-	64.285	35.422	28.818
C.6 other decreases	1.400	-	203	-
D. Closing gross exposure	**379.049**	**212.258**	**13.545**	**49.741**
- of which: exposures assigned but not derecognized				

A.1.8 On-balance sheet exposures to customers: changes in total adjustments

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**144.883**	**27.872**	**2.334**	**4.242**
- of w hich: exposures assigned but not derecognized	-	-	-	-
B. Increases	**82.765**	**56.401**	**1.040**	**5.250**
B.1. w ritedow ns	63.476	53.570	848	5.088
B.1bis losses on disposal	285	-	-	-
B.2. transfers from other categories of impaired positions	18.809	2.558	191	2
B.3. other increases	195	273	1	160
C. Decreases	**7.455**	**20.173**	**994**	**3.870**
C.1. w ritebacks from valuations	2.983	1.392	348	435
C.2. w ritebacks from collection	421	932	84	284
C.3. w riteoffs	3.995	-	-	-
C.4. transfers to other categories of impaired positions	-	17.849	561	3.151
C.5. other decreases	-	-	1	-
D. Total closing adjustments	**220.193**	**64.100**	**2.380**	**5.622**
- of w hich: exposures assigned but not derecognized	-	-	-	-

A.2 CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 – Distribution of on- and off-balance sheet exposures by external rating grades

As the Group loan portfolio consists largely of exposures to small and medium enterprises, family-run businesses, artisans, freelance professionals and consumer households, the distribution of on- and off-balance sheet exposures and off-balance sheet exposures by external ratings is not meaningful. In regard to the Bank's exposure to other banks, it should be noted that counterparties generally have ratings above investment grade.

A.2.2 – Distribution of on- and off-balance sheet exposures by internal rating grades

As stated above, such ratings are used solely as a further factor in evaluation and do not play a decisive role in the loan assessment process.

A.3 DISTRIBUTION OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 - Secured on-balance sheet exposures to banks

	Net exposures	Collateralsi (1)			Guarantees (2)									Total (1)+(2)
					Credit derivatives					Signature Loans (loans guarantees)				
						Other credit derivatives								
		Property	Securities	Other assets	CLN	Goverments and Central Banks	Other public entities	Banks	Other entities	Goverments and Central Banks	Other public entities	Banks	Other entities	
1. Secured exposures to banks	45.453	-	-	50.006	-	-	-	-	-	-	-	-	-	**50.006**
1.1. fully secured	45.453	-	-	50.006	-	-	-	-	-	-	-	-	-	50.006
- of which nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Secured exposures to customers

	Net exposures	Collateralsi (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature Loans (loans guarantees)				
							Other credit derivatives								
		Property		Securities	Other assets	CLN	Goverments and Central Banks	Other public entities	Banks	Other entities	Goverments and Central Banks	Other public enti	Banks	Other entities	
1. Secured balance sheet credit exposures:															
1.1. totally secured	2.068.798	4.911.360		126.940	25.183	-	-	-	-	-	-	7.771	734	243.112	5.315.100
- of which impaired	256.471	904.079		2.644	4.056	-	-	-	-	-	-	160	312	28.513	939.764
1.2. partially secured	65.935	5.935		6.407	1.734	-	-	-	-	-	-	1.382	118	25.309	40.886
- of which impaired	8.308	5.935		332	-	-	-	-	-	-	-	-	1	4.535	10.804
2. Secured off balance sheet credit exposures:	-	-		-	-	-	-	-	-	-	-	-	-	-	-
2.1. totally secured	24.106	1.288		3.942	3.496	-	-	-	-	-	-	24	-	16.472	25.223
- of which impaired	1.096	-		137	196	-	-	-	-	-	-	-	-	780	1.113
2.2. partially secured	6.797	-		1.801	695	-	-	-	-	-	-	-	205	1.514	4.216
- of which impaired	420	-		-	-	-	-	-	-	-	-	-	-	100	100

B. CREDIT DISTRIBUTION AND CONCENTRATION

B.1 - Distribution of on- and off-balance sheet exposures to customers by business segment

	Governments and central banks			Other public entities			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
A. On-balance-sheet exposures																		
A.1 Bad debts	-	-	X	-	3	X	1.920	1.301	X	-	-	X	119.668	185.861	X	37.268	33.028	X
A.2 Substandard loans	0	0	X	-	-	X	2.526	234	X	-	-	X	91.815	49.636	X	53.817	14.229	X
A.3 Restructured positions	-	-	X	-	-	X	1.427	1.123	X	-	-	X	8.160	1.237	X	1.578	21	X
A.4 Past due positions	-	-	X	-	-	X	322	83	X	-	-	X	11.567	2.970	X	32.231	2.570	X
A.5 Other	1.462.860	X	0	7.757	X	58	535.751	X	174	13.292	X	-	1.320.950	X	11.256	876.723	X	6.625
TOTAL A	1.462.860	0	0	7.757	3	58	541.945	2.741	174	13.292	-	-	1.552.161	239.703	11.256	1.001.617	49.848	6.625
B. Off-balance-sheet exposures																		
B.1 Bad debts	-	-	X	-	-	X	-	-	X	-	-	X	518	23	X	22	-	X
B.2 Substandard loans	-	-	X	-	-	X	-	-	X	-	-	X	3.194	22	X	44	0	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	34	0	X	16	0	X
B.4 Other	-	X	-	497	X	3	15.101	X	16	-	X	-	74.882	X	715	24.340	X	51
TOTAL B	-	-	-	497	-	3	15.101	-	16	-	-	-	78.627	45	715	24.423	0	51
TOTAL (A+B) 31/12/2013	1.462.860	0	0	8.254	3	61	557.046	2.741	190	13.292	-	-	1.630.788	239.749	11.970	1.026.040	49.848	6.675
TOTAL (A+B) 31/12/2012	1.172.311	-	1	7.974	3	36	475.134	1.804	150	12.391	-	0	1.827.383	145.795	8.449	1.022.671	31.813	4.851

B.2 Distribution of on- and off-balance sheet exposures to customers by geographical area (carrying amounts)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	157.945	216.579	703	3.591	-	3	-	-	208	19
A.2 Substandard loans	147.520	63.558	624	537	3	1	12	4	-	-
A.3 Restructured positions	11.165	2.380	-	-	-	-	-	-	-	-
A.4 Past due positions	44.004	5.592	115	30	-	-	-	-	-	-
A.5 Other	4.204.552	18.021	11.729	85	406	2	466	4	179	1
TOTAL A	4.565.186	306.130	13.172	4.243	409	6	478	7	387	21
B. Off-balance-sheet exposures										
B.1 Bad debts	540	23	-	-	-	-	-	-	-	-
B.2 Substandard loans	3.238	22	-	-	-	-	-	-	-	-
B.3 Other impaired assets	50	1	-	-	-	-	-	-	-	-
B.4 Other	114.747	783	73	1	-	-	-	-	-	-
TOTAL B	118.576	829	73	1	-	-	-	-	-	-
TOTAL (A+B) 31/12/2013	**4.683.762**	**306.959**	**13.245**	**4.244**	**409**	**6**	**478**	**7**	**387**	**21**
TOTAL (A+B) 31/12/2012	**4.500.690**	**190.318**	**15.717**	**2.548**	**467**	**5**	**503**	**5**	**487**	**25**

B.3 - Distribution of on- and off-balance sheet exposures to banks by geographical location (carrying amounts)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured positions	-	-	-	-	-	-	-	-	-	-
A.4 Past due positions	-	-	-	-	-	-	-	-	-	-
A.5 Other	186.577	-	13.652	-	3.164	-	-	-	51	-
TOTAL	**186.577**	**-**	**13.652**	**-**	**3.164**	**-**	**-**	**-**	**51**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	3.793	-	604	-	-	-	-	-	-	-
TOTAL	**3.793**	**-**	**604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2013	**190.370**	**-**	**14.256**	**-**	**3.164**	**-**	**-**	**-**	**51**	**-**
TOTAL (A+B) 31/12/2012	**632.517**	**-**	**17.482**	**-**	**1.359**	**-**	**-**	**-**	**70**	**-**

B.5 - Large exposures

In accordance with the Bank of Italy's instructions set forth in the letter dated 28 February 2011, the amount of “risk positions” that qualify as “large exposures” is disclosed on the basis of both carrying amounts and weighted value. The new supervisory provisions also require that the top 20 exposures to customers or groups of related customers and the top ten exposures to customers or groups of related customers in industries other than banking and finance must disclosed at the consolidated level.

	31/12/2013	31/12/2012
a) amount - Book value	198.127	344.933
b) amount - Weighted value	190.376	336.106
c) number	5	5

C. SECURITISATIONS AND ASSET DISPOSALS

C.1 SECURITISATIONS

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

C.2 TRANSFERS

C.2.1 - Financial assets sold but not derecognised

	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale			Financial assets held to maturity			Due from banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/13	31/12/12
A. Cash asseets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	1.134.237	-	-	87.896	-	-	-	-	-	-	-	-	1.222.133	1.100.433
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCIS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2013	-	-	-	-	-	-	1.134.237	-	-	87.896	-	-	-	-	-	-	-	-	1.222.133	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2012	-	-	-	-	-	-	993.942	-	-	86.595	-	-	19.896	-	-	-	-	-	1.100.433	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A = financial assets sold 100% recognised (carrying amounts). B = financial assets sold partly recognised (carrying amounts). C = financial assets sold partially recognised (full amount).

C.2.2 - Financial liabilities in respect of financial assets sold but not derecognised

	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	**Total**
1. Deposits from customers	-	-	1.166.129	91.369	-	-	1.257.498
a) relating to fully recognised assets	-	-	1.166.129	91.369	-	-	1.257.498
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from Banks	-	-	-	-	-	-	-
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Debt Securities in issue							
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2013	**-**	**-**	**1.166.129**	**91.369**	**-**	**-**	**1.257.498**
Total 31/12/2012	(0)	**-**	**1.022.336**	**89.688**	**20.356**	**-**	**1.141.344**

D. CREDIT RISK MEASUREMENT MODELS

Please refer to the qualitative disclosures on credit risk for further information.

SECTION 2 - MARKET RISKS

The Bank's investment policy is inspired by the goal of limiting market risk in its various forms (interest-rate risk, price risk and exchange-rate risk).

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

The trading book, as defined in supervisory reporting rules, includes financial instruments subject to capital requirements for market risks.

QUALITATIVE DISCLOSURES

A. General aspects

The trading book is extremely modest in amount and consists almost entirely of bonds (approximately €2 million) and equities (approximately €400 thousand).

The Group does not hold positions in structured loan products (collateralised debt obligations, commercial mortgage-backed securities or exposures to sub-prime and alt-A mortgages). Likewise, the Bank has no ties whatsoever to special-purpose entities with exposures to risky financial instruments.

B. Interest-rate and price-risk management processes and measurement methods

The Group's investment policy is aimed at limiting market risk for those components of such risk that it knowingly intends to assume:

- interest-rate risk;
- price risk; and
- exchange-rate risk.

The Bank does not normally assume positions that entail commodity risk.
In accordance with the mission of a group focused on retail customers, financing activity is essentially aimed at protecting the overall financial balance of the Bank and Group. Investment and trading activity is conducted in accordance with the guidelines established at the relevant Group levels and is carried out within a comprehensive system of delegated powers and specific rules setting operational restrictions in terms of instruments, amounts, investment markets, types of security and issuer, sector and rating.
The investment policies pursued by the Group resulted in the retention of a significant amount of government bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity reserve. Most of the securities concerned have been included among assets available for sale. At the same time, the extremely limited size of the portfolios classified among assets held for trading means that the exposure to price risk associated with the securities held in those portfolios is virtually negligible.

QUANTITATIVE DISCLOSURES

1. Supervisory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and derivatives

Denominated in euro

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	825	4.125	-	-	383	-	-	-
1.1 Debt securities	825	4.125	-	-	383	-	-	-
? w ith early redemption option	-	-	-	-	-	-	-	-
? other	825	4.125	-	-	383	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	-	(19.971)	60	198	(735)	-	-	-
3.1 With underlying security	-	580	-	153	(735)	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	580	-	153	(735)	-	-	-
+ long positions	-	888	-	153	10	-	-	-
+ short positions	-	308	-	-	745	-	-	-
3.2 Without underlying security	-	(20.551)	60	45	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	16	23	32	53	349	-	263	51
+ short positions	16	23	32	53	349	-	263	51
- Other derivatives	-	(20.551)	60	45	-	-	-	-
+ long positions	-	3.518	7.497	284	2.040	-	2.770	1.900
+ short positions	-	24.069	7.437	239	2.040	-	2.770	1.900

Currency of denomination: other currencies

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	0	0	-	-	0	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
? w ith early redemption option	-	-	-	-	-	-	-	-
? other	0	0	-	-	0	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	(1)	(2.589)	(59)	87	1	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	0	-	0	1	-	-	-
+ long positions	-	0	-	0	(0)	-	-	-
+ short positions	-	0	-	-	1	-	-	-
3.2 Without underlying security	-	(2.589)	(59)	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	(0)	(0)	-	-	-	-	-	-
+ short positions	(0)	(0)	-	-	-	-	-	-
- Other derivatives	-	(2.589)	(59)	-	-	-	-	-
+ long positions	-	-	87	22	(0)	-	-	-
+ short positions	-	2.589	145	65	(0)	-	-	-

2. Supervisory trading book: distribution of exposures in equities and equity indices by main country of listing

	ITALY	Listed USA	OTHER	Unlisted
A. Equity securities				
+ long positions	18	-	-	-
+ short positions	-	-	-	-
B. Forward value equity trades				
+ long positions	-	-	-	-
+ short positions	-	-	-	-
C. Other derivatives on equity				
+ long positions	-	-	-	-
+ short positions	-	-	-	-
D. Derivatives on equity indexes				
+ long positions	-	-	-	-
+ short positions	-	-	-	-

2.2 INTEREST-RATE RISK AND PRICE RISK – BANKING BOOK QUALITATIVE DISCLOSURES

The banking book consists of all financial assets and liabilities not included in the trading book. The largest item consists of loans to and amounts due to banks and customers.

A. General aspects, interest rate risk and price risk management processes and measurement methods

The process of managing the interest rate risk associated with the banking book is governed by specific company Regulations approved by the Parent Company's Board of Directors and subject to periodic review. Those Regulations aim to set general rules for managing interest rate risk for the assets and liabilities included within the banking book, as defined by supervisory regulations for the purposes of determining pillar two capital requirements (namely, all liabilities and assets other than those allocated to the regulatory trading book) and assign precise responsibilities and tasks to the various organisational units of the Bank and companies involved in the process.

Management of interest rate risk aims to limit the impact of unfavourable changes in the rate curve on both the economic value of assets and on the cash flows generated by line items. Containment of exposure to interest rate risk is pursued primarily by applying consistent parameters to assets and liabilities, and in particular by indexing a large portion of its assets and liabilities on money-market parameters (typically the Euribor rate), as well as the general balancing of the durations of assets and liabilities on low levels.

Measurement of the interest rate risk associated with the banking book is founded upon economic value, defined as the present value of the expected net cash flows generated by assets, liabilities and off-balance

sheet positions. In particular, exposure to the interest rate risk associated with the banking book is monitored for the purposes of determining the associated capital absorption on the basis of the Bank of Italy's regulatory model, applied at both a separate and consolidated level.
Exposure to interest-rate risk is calculated by measuring the change in the economic value of the banking book resulting from hypothetical instantaneous shifts in the interest rate maturity curve. The shift in the interest rate structure is quantified in two distinct situations:

- in ordinary conditions, reference is made to the annual changes for each node of the interest rate structure recorded over an observation period of six years, alternatively considering the 1st percentile (downward shift) and 99th percentile (upwards shift); and
- in a stress scenario, reference is made to a parallel shift in the interest rate structure of ± 200 basis points.

The changes are then normalised in relation to regulatory capital.

B. Fair-value hedging
Fair-value hedging is used to cover the interest-rate risk on lending and funding items originated at a fixed rate with a medium-/long-term maturity. Interest-rate risk hedging activity through OTC derivative financial instruments was almost entirely discontinued in December 2012. At the beginning of the year, only one hedge of asset items (loans to customers) by the Parent Company remained outstanding. This hedge was then closed out in January 2013. Since then, no hedging derivative contracts have been entered into.

C. Cash-flow hedging
No cash-flow hedges have been undertaken and there are no open cash-flow hedges.

QUANTITATIVE DISCLOSURES

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities
Denominated in euro

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years	more than 10 years	unspecified maturity
1. Assets	724.107	2.140.213	717.955	75.058	944.930	141.348	56.607	-
1.1 Debt securities	-	327.259	365.294	17.345	744.003	82.121	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	327.259	365.294	17.345	744.003	82.121	-	-
1.2 Loans to banks	101.482	50.725	-	-	-	2.039	-	-
1.3 Loans to customers	622.624	1.762.229	352.661	57.712	200.927	57.188	56.607	-
- current acct.	512.845	48.037	7.471	6.911	30.197	-	-	-
- other loans	109.780	1.714.192	345.191	50.802	170.731	57.188	56.607	2.026
- with early repayment option	-	-	-	-	-	-	-	-
- other	109.780	1.714.192	345.191	50.802	170.731	57.188	56.607	2.026
2. Liabilities	1.563.132							
2.1 Due to customers	1.399.380	1.377.023	42.071	65.722	55.520	-	-	-
- current acct.	1.328.851	119.526	41.440	65.722	55.520	-	-	-
- other payables	70.529	1.257.498	631	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	70.529	1.257.498	631	-	-	-	-	-
2.2 Due to banks	116.960	859.995	13.405	307	20.057	-	-	-
- current acct.	31.078	-	-	-	-	-	-	-
- other payables	85.882	859.995	13.405	307	20.057	31.433	5.424	-
2.3 Debt securities	46.792	208.253	71.342	121.447	267.553	14.896	-	-
- with early redemption option	-	-	40	-	-	-	-	-
- other	46.792	208.253	71.302	121.447	267.553	14.896	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Denominated in other currencies

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years	more than 10 years	unspecified maturity
1. Assets	4.695	-	3.085	-	337	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	4.231	-	-	-	-	-	-	-
1.3 Loans to customers	463	-	3.085	-	337	-	-	-
- current acct.	1	-	-	-	-	-	-	-
- other loans	463	-	3.085	-	337	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	463	-	3.085	-	337	-	-	-
2. Liabilities	28.603	-	165	-	65	-	-	-
2.1 Due to customers	28.465	-	165	-	65	-	-	-
- current acct.	28.465	-	165	-	65	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	138	-	-	-	-	-	-	-
- current acct.	80	-	-	-	-	-	-	-
- other payables	58	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	0	-	-	- -	0	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other sensitivity analysis methods

The capital requirement for interest-rate risk on the banking book is calculated by applying the simplified model indicated in Schedule C to Title III, Chapter 1 of Bank of Italy Circular No. 263/2006, in force through 31 December 2013.

This calculation is performed by classifying fixed-rate assets and liabilities in accordance with the supervisory model into 14 time bands on the basis of their residual lives and classifying floating-rate assets and liabilities into the various time bands according to the date of renegotiation of the interest rate. Within each band, asset and liability positions are multiplied by weighting factors and then set off against one another, resulting in a net position. Exposure to interest-rate risk for the purpose of determining the capital requirement is then calculated by measuring the change in the value of the banking book caused by hypothetical instantaneous shifts in the interest rate maturity curve in a scenario of ordinary conditions. To that end, use is made of the annual changes for each node of the interest rate structure recorded over an observation period of six years, alternatively considering the 1st percentile (downward shift) and 99th percentile (upward shift).

On the basis of the application of the Bank of Italy's regulatory model, the change in capital in both ordinary and stress conditions was always found to be positive, and thus internal capital to account for interest rate risk is equal to zero at the consolidated level.

2.3 EXCHANGE-RATE RISK

QUALITATIVE DISCLOSURES

Exposure to exchange-rate risk, determined using a method founded upon supervisory regulations, is negligible in extent.

A. General aspects, foreign-exchange risk management processes and measurement methods

Exchange-rate risk applies to transactions with customers and banks. Operational management is centralised with Banca Popolare di Cividale, which conducts real-time monitoring of the exposure in various currencies, systematically hedging positions on the market as required to minimise the exposure to exchange-rate risk.

B. Exchange-rate risk hedging

All foreign currency positions generated by relations with Group customers are handled together by analysing open gaps (un-netted positions), which are typically kept essentially at zero through market hedging transactions.

QUANTITATIVE DISCLOSURES

1. Distribution by currency of assets and liabilities and derivatives

	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets	**4.270**	**2.187**	**1.089**	**262**	**28**	**281**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	3.269	392	41	262	28	240
A.4 Loans to customers	1.001	1.794	1.048	-	-	41
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**221**	**112**	**50**	**7**	**77**	**28**
C. Financial liabilities	**26.590**	**1.115**	**652**	**269**	**95**	**111**
C.1 Due to banks	51	0	20	6	61	0
C.2 Due to customers	26.539	1.115	632	263	35	111
C.3 Due to customers	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other	-	-	-	-	-	-
+ Long positions	23.006	-	5	6	-	128
+ Short positions	929	1.199	489	6	-	176
Total assets	**27.496**	**2.299**	**1.144**	**275**	**104**	**436**
Total liabilities	**27.519**	**2.315**	**1.141**	**275**	**95**	**288**
Difference (+/-)	**(22)**	**(16)**	**4**	**(0)**	**9**	**149**

1.2.6 FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Supervisory trading book: end-period and average notional amounts

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-	-	-	-
a) Options	29.099	-	33.020	-
b) Swaps	15.176	-	145.898	-
c) Forwards	1.051	-	9.936	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	205
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	25.943	-	43.011	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
TOTAL	**71.269**	-	**231.865**	**205**
AVERAGE VALUES	-	-	-	-

A.2 Banking book: end-period and average notional amounts

A.2.1 Hedging

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	20.000	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
TOTAL	**-**	**-**	**20.000**	**-**
AVERAGE VALUES	**-**	**-**	**-**	**-**

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

	Positive Fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	362	-	92	-
b) Interest rate swaps	431	-	1.896	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	78	-	234	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**871**	**-**	**9.848**	**-**

A.4 Financial derivatives: gross negative fair value – distribution by product

	Negative Fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	156	-	92	-
b) Interest rate swaps	662	-	1.925	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	147	-	100	-
f) Futures	-	-	-	-
g) Others	0	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	2.915	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**965**	**-**	**5.033**	**-**

A.5 OTC financial derivatives – supervisory trading book: notional values, gross positive and negative fair values by counterparty – contracts not based on netting arrangements

Contracts not based on netting arrangements	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	8.375	22.137	-	-	13.762	1.051
- positive fair value	-	206	139	-	-	448	34
- negative fair value	-	-	679	-	-	139	2
- future exposure	-	53	215	-	-	28	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	25.027	-	-	216	700
- positive fair value	-	-	16	-	-	0	27
- negative fair value	-	-	125	-	-	1	20
- future exposure	-	-	-	-	-	2	7
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives – regulatory trading book: notional values, gross positive and negative fair values by counterparty – contracts based on netting arrangements

Not applicable.

A.8 OTC financial derivatives – banking book: notional values, gross positive and negative fair values by counterparty – contracts based on netting arrangements

Not applicable.

A.9 Residual maturity of OTC financial derivatives: notional values

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**34.410**	**12.836**	**24.023**	**71.269**
A.1 Financial derivatives on debt securities and interest rates	8.466	12.836	24.023	45.325
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	25.943	-	-	25.943
A.4 Financial derivatives - other	-	-	-	-
B. Banking book	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on foreign exchange rates and gold	-	-	-	-
B.4 Financial derivatives - other	-	-	-	-
Total 31/12/2013	**34.410**	**12.836**	**24.023**	**71.269**
Total 31/12/2012	**57.816**	**20.530**	**173.518**	**251.865**

B. CREDIT DERIVATIVES
This section is not applicable to the Banca Popolare di Cividale Group.

C. CREDIT AND FINANCIAL DERIVATIVES
This section is not applicable to the Banca Popolare di Cividale Group.

SECTION 3 – LIQUIDITY RISK
QUALITATIVE DISCLOSURES

A. General aspects, liquidity risk management processes and measurement methods
Liquidity risk is not attributable to specific items of the balance sheet; rather, it arises from mismatches of amount and/or date between cash inflows and outflows generated by all assets, liabilities and off-balance sheet items. It is thus a risk inherent in the Bank's operations and derives essentially from what is known as the "maturity transformation."

Liquidity risk generally manifests itself in the form of the breach of payment obligations, which may be caused by the inability to procure funds (funding liquidity risk) or the existence of limits on the liquidation of assets (market liquidity risk).

Liquidity risk also includes the risk that an entity may be forced to discharge its payment obligations at non-market costs, meaning that it may be forced to bear a high cost of funding or (in some cases, concurrently) sustain capital losses when liquidating assets.

Since all core banking business process are associated with potential liquidity risk, all Group companies are exposed to liquidity risk.

The process of containing exposure to liquidity risk, which aims to ensure the Group's solvency even in especially acute situations of tension, is primarily pursued through a complex set of management decisions and organisational measures, the most significant of which are:

- a constant focus on the financial situations of the Group with respect to a balanced structure of asset and liability maturities, especially with regard to shorter-term assets and liabilities;
- diversification of sources of funding in terms of technical forms as well as counterparties and markets. The Group intends to maintain high and very stable retail funding level in the form of both deposits and debt securities distributed directly through the branch network, thus pursuing the strategic goal of reducing dependency on market funds (interbank funding and issues intended for institutional investors);
- a portfolio of highly liquid assets eligible as collateral for financing transactions or directly disposable in situations of tensions, formed in part using securities resulting from the securitisation of the Group's assets; and
- the preparation of a Contingency Funding Plan.

Operational management of liquidity risk is the responsibility of the Finance Department, through the Finance Service, in line with the funding policy and directives of a strategic nature laid down by the ALCo, which meets with at least monthly frequency. This activity involves the use of appropriate tools for monitoring and surveying operating profiles for liquidity risk.

Through the Operating and Financial Risks Office, the Risk Management Service is responsible for structural aspects and stress analyses, as well as monitoring of the operational limits set by internal rules.

Assessment of liquidity risk exposure aims to evaluate an entity's capacity to respond to an outflow of such resources in the light of the maturity structure of its on-balance sheet assets and liabilities. Liquidity is monitored by determining the maturity ladder, which shows the cumulative total cash balance during each of the forecasting periods. This balance is the sum of cash inflows and outflows for each maturity bracket.

Furthermore, in addition to the ordinary liquidity situation, the Bank conducts simulations of adverse stress scenarios caused by forms of tension in the financial system generally or specific significant changes in the Bank's financial aggregates. Moreover, the Group's Contingency Funding Plan (CFP) defines and formally establishes the organisational escalation procedure, goals and management mechanisms required to protect the company's assets in situations of extreme, unforeseen depletion of liquidity through the preparation of crisis management strategies and fund-raising procedures.

QUANTITATIVE DISCLOSURES

1. Distribution of financial assets and liabilities by residual maturity

Denominated in euro

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets										
A.1 Government securities	-	-	1.350	34.907	8.850	10.513	22.181	1.221.114	75.000	-
A.2 Other debt securities	833	-	0	3.049	1.753	1.973	7.478	43.256	975	-
A.4 Units in collective investment undertakings	16.568	-	-	-	-	-	-	-	-	-
A.5 Loans	614.605	108.422	9.566	101.848	132.378	112.072	172.786	800.156	816.097	5.272
- banks	71.916	0	6	46.392	2	3	2	-	2.000	5.272
- customers	542.689	108.422	9.560	55.455	132.376	112.069	172.784	800.156	814.097	-
On-balance-sheet liabilities										
B.1 Deposits	1.571.561	15.294	18.343	36.847	51.810	42.192	67.583	55.179	-	-
- banks	226.160	-	200	120	71	55	40	31	-	-
- customers	1.345.401	15.294	18.143	36.727	51.739	42.137	67.543	55.148	-	-
B.2 Debt securities	175	27.519	24.230	6.993	114.134	28.969	101.980	396.643	29.640	-
B.3 Other liabilities	108	71.033	777.672	411.650	685	3.288	13.478	958.182	46.881	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital	-	916	(22.593)	1.781	65	39	185	(800)	-	-
- long positions	-	1.257	-	1.898	351	148	217	10	-	-
- short positions	-	341	22.593	116	287	108	32	810	-	-
C.2 Financial derivatives without exchange of capital	(25)	-	-	-	-	-	-	-	-	-
- long positions	3.081	-	-	-	-	-	-	-	-	-
- short positions	3.105	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	(1.226)	(125)	-	123	(540)	(28)	1.215	541	38	-
- long positions	473	-	-	123	1	10	1.215	541	38	-
- short positions	1.699	125	-	-	541	38	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Denominated in other currencies

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.5 Loans	4.698	546	58	347	2.165	345	-	-	-	-
- banks	4.231	-	-	-	-	-	-	-	-	-
- customers	467	546	58	347	2.165	345	-	-	-	-
On-balance-sheet liabilities										
B.1 Deposits	28.544	-	56	-	109	65	-	-	-	-
- banks	80	-	-	-	-	-	-	-	-	-
- customers	28.465	-	56	-	109	65	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	58	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital	-	(200)	22.478	(1.778)	(54)	(58)	(44)	-	-	-
- long positions	-	173	22.478	104	280	87	22	-	-	-
- short positions	-	373	-	1.881	334	145	65	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

2. Committed on-balance sheet assets

	Committed		Non-committed		Total	Total
	BV	FV	BV	FV	31.12.2013	31.12.2012
1. Cash and cash equivalents	-	X	20.021	X	20.021	-
2. Debt securities	2.020.203	2.262.346	326.450	326.396	2.346.653	-
3. Equities	-	-	58.898	18	58.898	-
4. Loans	910.686	X	2.300.466	X	3.211.152	-
5. Other financial assets	-	X	56.666	X	56.666	-
6. Non-financial assets	-	X	-	X	-	-
Total 31.12.2013	**2.930.889**	**2.262.346**	**2.762.501**	**326.414**	**5.693.391**	**-**
Total 31.12.2012	**-**	**-**	**-**	**-**	**-**	**-**

Key: BV = book value; FV = fair value

3. Owned committed off-balance sheet assets

Forme tecniche	Committed	Non-committed	Total 31.12.2013	Total 31.12.2012
1. Other financial assets				
- Securities	974.322	957.018	1.931.340	
- Other				
2. Non-financial assets				
Totale 31.12.2013				X
Totale 31.12.2012			X	

Securitisation

Within the framework of the various measures aimed at enhancing coverage of exposure to liquidity risk, the Group has undertaken securitisation transactions with the goal of increasing the degree of liquidity of its assets and prudentially increasing its pool of financial instruments eligible for refinancing operations with the European Central Bank, or otherwise suited for use as collateral in funding transactions beyond the short term with institutional and market counterparties.

In accordance with these aims, the asset-backed securities issued by the vehicle companies incorporated pursuant to Law 130/99 have been fully subscribed for, for both the senior and junior tranches, by the banks that in turn sold the underlying loans without recourse (Banca di Cividale S.p.A., subsequently incorporated into Banca Popolare di Cividale S.c.p.A.).

The following table provides an overview of the securitisation transactions undertaken.

Main information	
Date of transaction	May 2009
Special purpose entities	Quadrivio Finance S.r.l. (spv)
Subject matter of the transaction	Performing residential and commercial mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group Credito Valtellinese Group
Original aggregate amount of transferred loans and receivables	1.366 mln
of which Banca Popolare di Cividale Group	243 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group and by the Credito Valtellinese Group	1.317 mln
of which senior securities a	1.093 mln
of which junior securities b	224 mln
Rating of senior securities	AAA Fitch
Securities issued and subscribed by the Banca Popolare di Cividale Group	234 mln
of which senior securities a	187 mln
of which junior securities b	47 mln
Overall residual notional amount of the securities as at 31/12/2013	120 mln
Residual values of loans and receivables as at 31/12/2013	126 mln
Rating of senior securities as at 31/12/2013	AA+ Fitch - A2 Moody's

Main information	
Date of transaction	February 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale Group	383 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group	398 mln
of which senior securities a	310 mln
of which junior securities b	88 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Residual values of loans and receivables as at 31/12/2013	335 mln
Rating of senior securities as at 31/12/2013	AA Standard&poor's - A2 Moody's

Main information	
Date of transaction	July 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential and commercial mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale Group	410 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group	418 mln
of which senior securities a	273 mln
of which junior securities b	143 mln
Rating of senior securities	A+ Standard&poor's - AL DBRS
Residual values of loans and receivables as at 31/12/2013	313 mln
Rating of senior securities as at 31/12/2013	A+ Standard&poor's - AL DBRS

Considering that the asset-backed securities currently in issue have been fully subscribed for by the originating banks, the Group has not transferred any credit risk. Accordingly, since essentially all of the risks and rewards associated with the transferred portfolio have been retained, the loans concerned have not been derecognised. However, given the structure of the transactions, there exists the specific risk of cross-collateralisation due to the presence of multi-originator transactions. In fact, the Group is exposed to a potential additional risk associated with the possible deterioration in excess of expectations of the portfolio of loans securitised by the other banks involved in the transactions. In the case of the Quadrivio Finance S.r.l. transaction, that potential exposure also extends to entities external to the Group (Credito Valtellinese). However, there is no basis for believing that cross-collateralisation risk has undergone significant change.

SECTION 4 - OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. General aspects, operational risk management processes and measurement methods

Operational risk management is one component of the integrated risk management strategy that aims at containing the total risk level, including by preventing such risks from propagating and transforming. Operational risks, which constitute a highly heterogeneous class, are not typical of banking or business activity. The origin of these risks may be either internal or external, and they may extend beyond the company itself. The definition adopted by the Bank, in line with supervisory regulations, identifies operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Such risks include losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters. Operational risk includes legal risk but not strategic or reputational risk. Operational risk management activity is based on the following guiding principles:

- improving overall operational efficiency;
- preventing the occurrence or reducing the likelihood of events that could potentially generate operational losses through appropriate regulatory, organisational, procedural and training actions; attenuating the expected effects of such events;
- transferring risks that the Group does not wish to retain through insurance contracts; and
- protecting the Group's reputation and brand.

The Group adopts the basic method (BIA – Basic Indicator Approach) specified by regulations to determine capital requirements.

The Risk Management Service, Operational and Financial Risks Office, is responsible for measuring and assessing operational risk. It does so at a centralised level for all Group companies. The approach adopted for managing operational risk takes a combined, bottom-up view of the components identified by the prudential regulations for the advanced measurement approaches:

- internal operational loss data: the main component in the construction of an operational risk management system;
- external operational loss data: given that not all types of events indicated by international regulations are applicable to or of statistical significance for all intermediaries, consortium databases have been established at both an international and domestic level to contain reports of operating losses from participants; in Italy, at the initiative of the Italian Banking Association, the Italian Operating Loss Database was established. The Group participates in the Database as a "total group member." The data contained in the Database allow participants to monitor the performance of operating losses within the Italian banking industry by business line and sales channel, as well as to extract parameters concerning probability distributions, enjoy access to the aggregation of data by homogeneous group for benchmarking purposes and expand the data included in their historical series.

Risk is contained through regulatory, organisational and procedural actions. Problem areas are identified by analysing all of the data from the various sources. Those responsible for activities in which problems have been identified are required to provide further information in order to develop appropriate corrective actions. Some types of operational risk are mitigated using appropriate insurance contracts. In addition, the Group has implemented a business continuity plan that sets out the principles, establishes the objectives and describes the procedures for managing all the corrective actions for reducing losses resulting from accidents or disasters to an acceptable level.

B. Legal risks

The risks associated with the legal disputes involving the Bank and Group companies are constantly monitored. If a legal and accounting analysis suggests an adverse outcome with a likely liability for damages, the Group makes as reliable an estimate of damages as possible and allocates a provision as a precaution. The following paragraphs describe the most complex and important legal disputes.

Disputes involving bond defaults

The insolvency of the Argentinean central and local governments from 2001 to 2003, as well as of major Italian companies such as Parmalat, Cirio and Giacomelli, triggered a series of disputes, including legal action, brought by customers who purchased these defaulted bonds. Banca di Cividale has always been sensitive to criteria of fairness and economy, avoiding futile, wasteful litigation and taking into account the trends in legal interpretation that have emerged over time. Within this context, the Bank has frequently engaged in settlement negotiations in response to claims brought to its attention or in parallel with judicial action. In some cases, given the special circumstances of the dispute, the Bank has decided to pursue the matter in court. In all cases, however, based on an a priori analysis of the dispute and the type of bond involved, the Bank makes the necessary provisions.

Disputes involving revocatory actions

The recent bankruptcy reform, later amended by the so-called "corrective degree," certainly limited the scope of the action performed by receivers pursuant to Article 67 of the Bankruptcy Law. However, there are still a number of revocatory actions governed by the pre-reform law, as provided for under the transitional regulations. In these cases, the Group uses careful, considered negotiations founded upon a thorough analysis of the actual assumptions on which the action is based, i.e. the satisfaction of both subjective and objective elements. Specifically, the Bank usually performs preventive accounting assessments to determine the amount of risk and to make the necessary prudent provisions.

SECTION 5 - OTHER RISKS

In addition to the risks described above, the Bank is exposed to the following other risks.

Excessive financial leverage risk
Excessive financial leverage risk is defined by prudential regulations as "the risk that a particularly high level of indebtedness with respect to equity may render the bank vulnerable, requiring the adoption of corrective measures to its industrial plan, including the sale of assets involving the recognition of losses that could also entail impairment of the remaining assets."
Excessive financial leverage risk affects the entirety of the financial statements, exposures resulting from the use of derivatives and off-balance sheet assets and is assumed in the conduct of core business. It is closely correlated with planning and capital management activity.

Sovereign risk
Investment in Italian government securities, almost all of which are classified to the AFS portfolio, entails the exposure to the credit risk of the Italian Republic, which, as for all other issuers, may manifest itself in the form of decreased creditworthiness or, in the extreme scenario, default. Exposure is regularly monitored and reported on to company bodies. The prospective development of the sovereign risk exposure profile is assessed by considering adverse scenarios of various intensities, based in part on historical simulations, as well as the impact thereof on the value of the portfolio and regulatory capital. In the projected stress scenarios, regulatory capital would remain above the regulatory minimum, even in the absence of prudential filters.

Strategic risk
Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. Exposure to strategic risk is not associated with specific operating activities, but rather the adequacy of the decisions made and the efficacy of implementation. The risk is particularly associated with the phases of determining and implementing company strategies represented by the formulation of the business plan, commercial planning, budgeting, management control and monitoring of the markets and competitive scenario, capital allocation and capital management.

Compliance risk
Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes). The Bank regards the adoption of the highest standards of compliance with laws and regulations as a distinctive trait of its corporate identity, an expression of its corporate social responsibility, a safeguard aimed at maintaining its reputation over time and an effective contribution to the process of creating value. Compliance risk management is based on the Compliance Model and Compliance Plan. The Compliance Model pursues the primary goal of setting up a well-organised, organic system of organisational and control principles and procedures suited to preventing, managing or mitigating the risk of non-compliance with external and internal rules.

Money-laundering risk
Money-laundering risk is the risk of suffering consequences in legal and reputational terms as a result of possible involvement in illegal transactions associated with money-laundering or financing for terrorism. In

order to measure and assess that risk, the money-laundering risks inherent in the Bank's operational procedures pertaining to the following processes have been mapped:

- adequate customer verification;
- dealings in cash and bearer securities;
- records in the Consolidated Computer Archive; and
- the reporting of suspicious transactions.

Given the objective significance of money-laundering risk and the increasing complexity of the legislative framework of reference and resulting obligations, the Bank has gradually enhanced its safeguards in terms of rules, organisational measures, procedures, applications and training.

Reputation risk

Reputation risk is the current or prospective risk of a decline in net income or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank. Employees, society and the community are also considered when performing company analyses. By the same token, reputation is an essential intangible resource, and it is regarded by the Group as a distinctive component of a lasting competitive advantage. Accordingly, the Board of Directors has set the management objective of minimising exposure to reputation risk. Reputation risk primarily relates to relations with stakeholders and the community. It may also arise from factors outside the scope of the company organisation and beyond the Bank's control (for example, the dissemination of inaccurate or baseless information or phenomena concerning the system that affect individual institutions without distinction). The first and most fundamental safeguard against reputation risk is the shared system of values, principles and rules of conduct on which to base behaviour common to all of the Bank's stakeholders. That system is expressly illustrated in the Code of Conduct adopted since 2004 in the context of the Governance and Control Model pursuant to Legislative Decree No. 231/2001, as subsequently updated.

Related–party risk

Related-party risk is 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, exposure of the Bank to inadequately measured or managed risks and potential damages for depositors and shareholders.
In order to safeguard objective, impartial decision-making and avoid distortions of the allocation process, the Bank has adopted rigorous procedures and stricter limits than legally mandated, which are subject to regular monitoring. There were no breaches of authorisation limits or alert levels during the year.

Property risk

Property risk is the current or prospective risk of potential losses due to fluctuations in the value of the Group's proprietary real-estate portfolio, or to the reduction of the income generated by that portfolio.
The Group does not assume property risk for investment purposes. The Group's proprietary real-estate portfolio represents a residual component of total consolidated assets and consists mostly of properties used in business operations. This risk is mitigated through management and maintenance measures aimed at safeguarding the functionality and value of the assets and is partially transferred through insurance policies covering owned properties.

Outsourcing risks

The use of outsourcing of company functions, processes, services or activities entails a thorough assessment of the risks and the implementation of appropriate safeguards and containment measures. The risks potentially arising from outsourcing are generally operational, compliance, strategic and reputation risks. They therefore have been attributed to the specific types of risk identified and described above.

Chapter F – CONSOLIDATED SHAREHOLDERS' EQUITY

Section 1 – Consolidated shareholders' equity

A. Qualitative disclosures

The capital policy adopted by the Banca Popolare di Cividale Group is founded upon the following criteria:
a) compliance with regulatory requirements (regulatory approach);
b) appropriate monitoring of risks associated with banking operations (management approach); and
c) support for company development projects (strategic approach).

These approaches correspond to appropriate definitions of capital, specific objectives and particular corporate functions. From a regulatory point of view, the definition of capital is that set out in supervisory regulations for banks. Ongoing compliance with minimum capital requirements, which are monitored on a regular basis and considered a constraint during planning, is an essential precondition for operations.
From the point of view of risk management – one of the key functions in banking – capital is considered the main defence against possible unexpected losses generated by a variety of risks (credit, market and operational risks) that the Bank faces. The amount of capital is optimal if it is sufficient to absorb unexpected losses estimated for a specific confidence interval, thereby guaranteeing the continuity of operations over a specified time period.
From the corporate perspective, capital is a strategic factor of production that enables the Group to pursue its entrepreneurial vocation, while at the same time preserving financial stability. As a cooperative bank with strong local roots, the Group implements its capital policy primarily through the gradual expansion of the size and geographical spread of its shareholders.

B. Quantitative disclosures

B.1 Consolidated shareholders' equity: distribution by type of business

	Unweighted amounts		Weighted amounts / requirements	
	31/12/13	31/12/12	31/12/13	31/12/12
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**6.767.198**	**7.139.328**	**2.349.043**	**2.726.042**
1. Standard methodology	6.767.198	7.139.328	2.349.043	2.726.042
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS			**208.191**	**235.238**
B.1 CREDIT AND COUNTERPARTY RISK	X	X	187.923	218.083
B.2 MARKET RISK	X	X	813	801
1. Standard methodology	X	X	813	801
2. Internal models	X	X	-	-
3. Concentration risk	X	X	-	-
B.3 OPERATIONAL RISK	X	X	-	-
1. Base methodology	X	X	19.455	16.354
2. Standard methodology	X	X	-	-
3. Advanced methodology	X	X	-	-
B.4 Other capital requirements	X	X	-	-
B.5 Other measurement elements				
B.6 Total capital requirements	X	X	-	-
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**	**-**	**-**
C.1 Risk-weighted assets	X	X	2.602.386	2.940.478
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	X	X	8,37%	11,11%
C.3 Total capital / Risk weighted assets (Total capital ratio)	X	X	10,31%	13,04%

B.2 Valuation reserves for financial assets available for sale: composition

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		Total 31/12/2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	6.289	(670)	-	-	-	-	-	-	6.289	(670)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Quotas of UCI	36	(321)	-	-	-	-	-	-	36	(321)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	**6.325**	**(991)**	-	-	-	-	-	-	**6.325**	**(991)**

B.3 Valuation reserves for financial assets available for sale: annual change

	Debts securities	Equities	Quotas of UCI	Loans
1. Opening balance	**16.484**	**88**	**(433)**	**-**
2. Positive fair value differences	**19.993**	**1.818**	**1.022**	**-**
2.1. Fair value increases	9.727	-	11	-
2.2 Reversal to the income statement of negative reserves	-	-	-	-
- impairment	-	1.484	839	-
- disposal	1.758	-	-	-
2.3 Other changes	8.508	334	172	-
3. Negative fair value differences	**30.858**	**1.906**	**874**	**-**
3.1 Fair value decreases	803	-	473	-
3.2 Impairment losses	-	1.670	-	-
3.3 Reversal to the income statement of positive reserves: disposal	26.137	-	-	-
3.4 Other changes	3.918	236	401	-
4. Closing balance	**5.619**	**0**	**(285)**	**-**

Section 2 – Regulatory capital and regulatory capital ratios

Scope of application of regulations

Pursuant to supervisory instructions for calculating regulatory capital, the overall amount and composition of regulatory capital differs from shareholders' equity. The following is a brief explanation of the main differences:

- unlike shareholders' equity, regulatory capital does not include the share of net income to be distributed as dividends and donations to charity;
- banks, financial firms and joint ventures, carried in the consolidated financial statements at the value of their shareholders' equity, are consolidated proportionally for regulatory capital purposes;
- regulatory capital includes shareholders' equity attributable to minority interests, split into Tier 1 and Tier 2 capital;
- goodwill (which includes the "increase in shareholders' equity" incorporated in the carrying amount of equity instruments in companies subject to significant influence and accounted for using the equity method) and intangible assets other than goodwill are deducted from Tier 1 capital;
- Tier 2 capital includes subordinated loans, provided that prudential requirements have been observed;
- any subordinated loan capital in excess of 50% of Tier 1 capital including deductible elements forms part of Tier 3 capital, and is permitted solely up to 71.4% coverage of the capital requirements for market risk;
- up to 50% of net gains on securities classified as available for sale, recognised under item 140 "Valuation reserves," may be included in Tier 2 capital, while net losses are deducted in full from Tier 1 capital;
- equity investments in banks and financial companies representing 10% or more of capital are deducted 50% from Tier 1 and 50% from Tier 2 capital; equity investments in insurance undertakings representing 20% or more of capital acquired before 20 July 2006 are deducted from the aggregate of Tier 1 and Tier 2 capital.

There are no restrictions or impediments on transferring components of shareholders' equity between Group companies.

2.2. Regulatory capital

A. Qualitative disclosures

The regulatory capital of the Banca Popolare di Cividale Group consists largely of the elements of shareholders' equity and subordinated liabilities. No innovative capital instruments or hybrid capital instruments are included in regulatory capital. No third-level subordinated loans (Tier 3 capital) eligible for market-risk hedging have been issued.

1. *Tier 1 capital*

Tier 1 capital, including the components described in section 2.1 above, amounted to €217,735 thousand. Compared with the previous year, the aggregate decreased by €108,876 thousand (-33.3%). The change compared to 2012 is to be attributed, among other factors, to the repurchase of the interest held by Credito Valtellinese in the subsidiary Banca di Cividale S.p.A. functional to the company reorganisation transactions finalised in 2013.

2. *Tier 2 capital*

After the application of prudential filters, gross Tier 2 capital amounted to €64,857 thousand, of which €61,540 thousand was represented by eligible subordinated liabilities.
The following is a list of the subordinated liabilities issued by the Banca Popolare di Cividale Group:
a) Subordinated bond with a nominal value of €15 million issued on 7 April 2008:
- interest rate: first coupon of 4.81% gross annual payable on 7 July 2009; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 7 April 2013, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal is to be redeemed in five equal instalments of 20% of principal starting on 7 April 2014; - maturity: 7 April 2018;
- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month's notice;
- no provisions exist for conversion into share capital.
b) Subordinated bond with an original nominal value of €40 million issued on 13 August 2007:
- interest rate: first coupon of 4.6% gross annual payable on 13 November 2007; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 13 August 2012, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal is to be redeemed in five equal instalments of 20% of principal starting on 13 August 2013;
- maturity: 13 August 2017;
- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month's notice;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.
c) Subordinated bond with a nominal value of €15 million issued on 10 December 2013:
- interest rate: half-yearly coupons equal to the six-month Euribor rate plus a spread of 430 bps;
- amortisation schedule: principal is to be redeemed in five equal instalments of 20% of principal starting on 10 December 2014;
- maturity: 10 December 2018;
- no early redemption clause has been provided for;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.

3. Tier 3 capital

The Banca Popolare di Cividale S.c.p.A. Group has not issued any financial instruments eligible for inclusion in Tier 3 capital.

B. Quantitative disclosures

	31/12/2013	31/12/2012	%
A. Tier 1 capital before the application of prudential filters	**231.919**	**338.750**	**-31,5%**
B. Tier 1 capital prudential filters:	-	-	-
B.1 positive IAS/IFRS prudential filters (+)	-	-	-
B.2 negative IAS/IFRS prudential filters (-)	-	-	-
C. Tier 1 capital after prudential filters (A+B)	**231.919**	**338.750**	**-31,5%**
D. Elements to deduct from Tier 1 capital	(14.184)	(12.139)	**16,8%**
E. Total Tier 1 capital (C-D)	**217.735**	**326.611**	**-33,3%**
F. Tier 2 capital before the application of prudential filters	**64.857**	**69.083**	**-6,1%**
G. Tier 2 capital prudential filters	-	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-	-
H. Tier 2 capital before deductions (G+F)	**64.857**	**69.083**	**-6,1%**
I. Elements to deduct from Tier 2 capital	(14.184)	(12.139)	**16,8%**
L. Total Tier 2 capital (H-I)	**50.673**	**56.944**	**-11,0%**
M. Elements to deduct from Tier 1 and Tier 2 capital	-	-	-
N. Regulatory capital (E+L-M)	**268.408**	**383.555**	**-30,0%**
O. Tier 3 capital	**-**	**-**	**-**
P. Regulatory capital included Tier 3 (N+O)	**268.408**	**383.555**	**-30,0%**

2.3 Capital adequacy

Qualitative disclosures

The Banca Popolare di Cividale Group has exceeded regulatory capital adequacy requirements. As at 31.12.2013, the ratio of Tier 1 capital to risk-weighted assets stood at 8.37 %, compared with 11.11% at the end of 2012. The ratio of regulatory capital to risk-weighted assets amounted to 10.37% (13.04% at the end of 2012).

B. Quantitative disclosures

	Unweighted amounts		Weighted amounts / requirements	
	31/12/13	31/12/12	31/12/13	31/12/12
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**6.767.198**	**7.139.328**	**2.349.043**	**2.726.042**
1. Standard methodology	6.767.198	7.139.328	2.349.043	2.726.042
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS			**208.191**	**235.238**
B.1 CREDIT AND COUNTERPARTY RISK	X	X	187.923	218.083
B.2 MARKET RISK	X	X	813	801
1. Standard methodology	X	X	813	801
2. Internal models	X	X	-	-
3. Concentration risk	X	X	-	-
B.3 OPERATIONAL RISK	X	X	-	-
1. Base methodology	X	X	19.455	16.354
2. Standard methodology	X	X	-	-
3. Advanced methodology	X	X	-	-
B.4 Other capital requirements	X	X	-	-
B.5 Total capital requirements	X	X	-	-
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	X	X	-	-
C.1 Risk-weighted assets	**X**	**X**	**2.602.386**	**2.940.478**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	X	X	8,37%	11,11%
C.3 Total capital / Risk weighted assets (Total capital ratio)	X	X	10,31%	13,04%

Chapter G – BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CONDUCTED DURING THE YEAR

1.1 Business combinations

No business combinations with parties external to the Group governed by IFRS 3 *Business Combinations* were undertaken during the year.

In 2013, as part of the simplification of the Group's structure approved in March 2013, the Group finalised the merger of Banca di Cividale and Nordest Banca into the Parent Company, Banca Popolare di Cividale, authorised by the Bank of Italy on 31 October 2013, effective for legal purposes from 30 December 2013.

IAS 8 requires that in the absence of specific provisions of IASs/IFRSs entities use their judgment in applying an accounting standard that provides relevant, reliable and prudent information and reflects the economic substance of the transactions, regardless of their legal form. In accordance with those provisions, the

accounting criteria for the business combinations undertaken in the context of the Group's reorganisation project, given that they do not have a significant influence on the merged companies' cash flows, preserved the continuity of values of the acquiree in the acquirer's financial statements. In particular, the values of the assets acquired and liabilities assumed have been recognised on the basis of the values presented in the consolidated financial statements of the common group to which the combining entities belong.
For detailed information regarding the transactions undertaken, refer to the information provided in Chapter G on the notes to the separate financial statements of the Parent Company. In the consolidated financial statements, given the absence of economic exchange with third entities, there were no effects other than those tied to the acquisition of minority interests. These transactions have been recognised in equity.

Chapter H – TRANSACTIONS WITH RELATED PARTIES

1. *Information on the compensation of directors and management*

1. Information on the compensation of directors and management

The following table reports the compensation of the directors, executives and other managers with strategic responsibilities of the Parent Company and other Group companies.

	Monetary remuneration	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Share-based payments
Directors	851	-	-	-	-
Senior management	1.532	95	-	81	-
Management	608	29	-	33	-
Total	2.991	124	-	114	-

During the year, remuneration totalling €267 thousand accrued to members of the Board of Statutory Auditors.

2. Information on transactions with related parties

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

- subsidiaries, i.e. companies over which the Parent Company directly or indirectly exercises control, as defined in IAS 27;
- associates, i.e. companies over which the Parent Company directly or indirectly exercises a significant influence, as defined in IAS 28;
- joint ventures, i.e. companies over which the Parent Company directly or indirectly exercises joint control, as defined in IAS 31;
- managers with strategic responsibilities and control bodies, i.e. the Directors, Statutory Auditors, General Manager and Assistant General Managers of the Parent Company;
- other related parties, including:
  - immediate family members (cohabiting partners, children, cohabiting partners' children, dependents of the person concerned or cohabiting partner) of Directors, Statutory Auditors or the General Manager of the Parent Company; and
  - subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, General Managers and Assistant General Managers of consolidated companies, in addition to their immediate family members, as defined above.

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

	SUBSIDIARIES AND COMPANIES UNDER	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES
Assets				
Loans to banks	-	-	-	-
Loans to customers	-	14.655	210	18.018
Liabilities				
Due to banks	-	-	-	-
Due to customers	-	2.587	1.952	2.679
Income statement				
Net interest income	-	263	(13)	637
Net commission income	-	76	5	132
Other revenues	-	-	-	-
Administrative expenses	-	-	2.826	-
Guarantees and commitments	-	-	-	535
Indirect funding	-	-	3.531	8.078

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

Dealings between Group companies mainly involve the provision of services, deposits and financing as part of ordinary interbank operations, as well as other contractual arrangements for assistance and advisory services and the provisions of specialist services in support of banking and financial operations.

Interbank transactions are settled at arm’s-length conditions. Other dealings are settled according to specific contractual agreements that – without prejudice to the goal of optimising synergies and generating economies of scale and scope at the Group level – are founded upon ongoing, objective parameters designed to ensure transparency and substantive fairness. Prices for services rendered are calculated and formalised using proven parameters that take account of actual use by each company.

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

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

It should be noted that no transactions with related parties considered major transactions pursuant to the *Procedures for Related-Party Transactions* cited above were undertaken during the reporting period. Except as disclosed above with regard to the business combination, in 2013 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.

Chapter I – SHARE-BASED PAYMENTS

This item is not applicable to the Banca Popolare di Cividale S.c.p.A. Group.

Chapter L – SEGMENT REPORTING

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

Criteria for identifying and aggregating operating segments

In application of IFRS 8 and as a consequence of the company reorganisation transaction within the Group (merger of Banca di Cividale S.p.A. and NordEst Banca S.p.A. into Banca Popolare di Cividale S.c.p.A.), operating segments were identified as coinciding with the individual companies comprising the Group. For segment reporting purposes at 31 December 2013, the following operating segments were identified (the comparative figures at 31 December 2012 were restated accordingly):

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

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

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

The following considerations apply to the reconciliation of results for each sector and consolidated results:

- The measurement criteria for the segment reporting presented in this section are consistent with those employed in internal reporting, as required by applicable accounting standards; they are also consistent with the accounting standards used in preparing the financial statements, inasmuch as they have been deemed best suited to furnishing a true and fair presentation of the Group's earnings and financial position.

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

Segment results – Income-statement data

RECLASSIFIED INCOME STATEMENT	31/12/2013			31/12/2012		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Interest income and similar revenues	8.921	131.198	140.119	9.330	149.844	159.174
Interest expense and similar charges	(3.065)	(54.594)	(57.659)	(4.676)	(69.807)	(74.483)
Net fair value changes in hedge relationships	-	(54)	(54)	-	1.118	1.118
Dividends and net income (loss) of equity investments accounted for using equity method	-	1.278	1.278	-	1.912	1.912
FINANCIAL INCOME	**5.856**	**77.828**	**83.684**	**4.654**	**83.067**	**87.721**
Net commissions	(249)	22.536	22.287	(345)	23.868	23.523
Other operating income (net of recovered expenses)	450	286	736	253	2.517	2.770
Net trading income	-	423	423	-	3.332	3.332
Gains (losses) from purchase/sale of loans and financial assets	(229)	50.861	50.633	376	8.502	8.878
OPERATING REVENUES	**5.828**	**151.934**	**157.762**	**4.938**	**121.286**	**126.224**
Personnel expenses (net of recovered expenses)	(1.082)	(40.226)	(41.308)	(903)	(39.824)	(40.727)
Other administrative expenses (net of recovered expenses)	(1.035)	(25.809)	(26.843)	(1.214)	(26.513)	(27.727)
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	(85)	(1.289)	(1.374)	(81)	(1.506)	(1.587)
OPERATING COST	**(2.202)**	**(67.323)**	**(69.525)**	**(2.198)**	**(67.843)**	**(70.041)**
OPERATING INCOME	**3.626**	**(67.323)**	**(69.525)**	**2.740**	**(67.843)**	**(70.041)**
Charges/write-backs on impairment of loans	(5.770)	(122.380)	(128.150)	(2.688)	(37.855)	(40.543)
Charges/write-backs on impairment of other assets	-	(1.051)	(1.051)	-	(789)	(789)
Net provisions for risks and charges	(30)	(2.380)	(2.410)	-	(858)	(858)
Profit (loss) on disposal of investments	-	-	-	356	(0)	356
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(2.174)**	**(41.200)**	**(43.375)**	**408**	**13.941**	**14.348**
Tax on income from continuing operations	584	6.997	7.581	(347)	(7.674)	(8.021)
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(1.590)**	**(34.203)**	**(35.793)**	**61**	**6.267**	**6.328**
NET INCOME FOR THE PERIOD	**(1.590)**	**(34.203)**	**(35.793)**	**61**	**6.267**	**6.328**

Segment results – Balance-sheet data

ASSETS	31/12/2013			31/12/2012		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets held for trading	-	3.512	3.512	-	11.198	11.198
Financial assets available for sale	18	1.472.115	1.472.132	18	1.393.347	1.393.365
Financial assets held to maturity	-	105.413	105.413	-	104.107	104.107
Due from banks	1.456	162.294	163.750	1.329	380.305	381.634
Loans to customers	319.823	2.794.011	3.113.834	338.696	2.844.655	3.183.351

LIABILITIES	31/12/2013			31/12/2012		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Due to banks	294.550	716.313	1.010.863	11.475	663.812	675.287
Due to customers	2.958.519	9.893	2.968.412	7.310	2.675.602	2.682.912
Debt securities issued	-	730.284	730.284	-	1.107.135	1.107.135

Cividale del Friuli, 18 March 2014

Banca Popolare di Cividale S.c.p.A.
The Board of Directors

Other documents

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

1. We, the undersigned, Lorenzo Pelizzo, in the capacity of Chairman of the Board of Directors, and Gabriele Rosin, in the capacity of manager responsible for the preparation of financial reports, of Banca Popolare di Cividale S.c.p.A., do hereby certify, pursuant to Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures used to prepare the consolidated financial statements during the period 1 January – 31 December 2013:

- were adequate with respect to the characteristics of the enterprise; and
- were effectively applied.

2. Our review of the adequacy and effective application of the administrative and accounting procedures used to prepare the consolidated financial statements at and for the year ended 31 December 2013 was based on a model established by Banca Popolare di Cividale S.c.p.A. in accordance with the *Internal Control – Integrated Framework (CoSO)* and the *Control Objectives for Information and Related Technologies (COBIT)*, which represent generally accepted international standards of reference for the internal control system and financial reporting in particular.

3. Furthermore, we do hereby certify that:

3.1. the consolidated financial statements

a) have been prepared in accordance with the applicable international accounting principles endorsed by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002;
b) correspond to the results of accounting books and records; and
c) are suited to furnishing a true and fair representation of the financial performance and financial position of the issuer and the set of enterprises within the scope of consolidation.

3.2. The consolidated report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer and the set of enterprises included within the scope of consolidation, in addition to a description of the main risks and uncertainties to which it is exposed.

Cividale del Friuli, 18 March 2014

The Chairman of the Board of Directors
Lorenze Pelizzo
[signed]

Manager responsible for financial reports
Gabriele Rosin
[signed]

Independent Auditors' Report on the consolidated financial statements of Banca Popolare di Cividale for the year ended 31 December 2013

Building a better working world

Reconta Ernst & Young S.p.A.
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37126 Verona

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Banca Popolare di Cividale S.c.p.A. and its subsidiaries ("Banca Popolare di Cividale Group") as of and for the year ended December 31, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Popolare di Cividale S.c.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 9, 2013.

3. In our opinion, the consolidated financial statements of the Banca Popolare di Cividale Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Popolare di Cividale Group for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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4. The management of Banca Popolare di Cividale S.c.p.A. is responsible for the preparation of the Directors' Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report on operations and the specific section on Corporate Governance regarding the information included therein in compliance with art. 123-bis paragraph 2, letter b) of Legislative Decree n. 58/1998, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In our opinion the Directors' Report on operations and the information reported therein in compliance with article 123-bis paragraph 2, letter b) of the Legislative Decree n. 58/1998,in the specific section of the report, are consistent with the consolidated financial statements of the Banca Popolare di Cividale Group as of December 31, 2013.

Milan, April 9, 2014

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

Attachments to the consolidated financial statements of Banca Popolare di Cividale

Property, plant and equipment subject to revaluation

		Use	Historic cost	Revaluation from cotribution	Law 576/75	Law 72/83	Law 413/91	Law 266/05	Depreciation	Carrying amount
BPC SCpA	**ATTIMIS**	-	-	-	-	-	-	-	-	-
	Via Cividale 2	FUNZ.	245	-	-	-	123	182	320	**230**
BPC SCpA	**BUTTRIO**	-	-	-	-	-	-	-	-	-
	Via Div. Julia 26	FUNZ.	247	-	-	53	286	532	512	**606**
BPC SCpA	**CIVIDALE**	-	-	-	-	-	-	-	-	-
	Piazza Duomo 8	FUNZ.	5.353	727	101	398	1.016	7.878	4.903	**10.569**
	Piazza Duomo 9	FUNZ.	108	-	-	-	-	113	52	**169**
BPC SCpA	**CIVIDALE**	-	-	-	-	-	-	-	-	-
	Via Cavour	FUNZ.	25	-	2	66	54	347	210	**284**
	Via Cavour	FUNZ.	62	-	-	99	194	289	71	**573**
BPC SCpA	**PAVIA DI UDINE**	-	-	-	-	-	-	-	-	-
	Via Persereano 7	FUNZ.	236	-	-	-	-	181	154	**263**
	Via Persereano 8	FUNZ.	25	-	-	-	-	20	10	**35**
	Via Persereano 9	FUNZ.	3	-	-	-	-	2	2	**3**
BPC SCpA	**POVOLETTO**	-	-	-	-	-	-	-	-	-
	Piazza Libertà 4/5	FUNZ.	353	-	-	-	184	439	504	**472**
BPC SCpA	**REMANZACCO**	-	-	-	-	-	-	-	-	-
	Piazza P. Diacono	FUNZ.	346	-	-	101	169	840	612	**844**
	Piazza P. Diacono	FUNZ.	21	-	-	-	5	29	24	**31**
	Piazza P. Diacono	CIVILE	36	-	-	3	-	52	-	**91**
BPC SCpA	**S. GIOVANNI AL NATI**	-	-	-	-	-	-	-	-	-
	Via L. da Vinci 7	FUNZ.	486	-	25	105	502	1.240	1.030	**1.328**
BPC SCpA	**S. LEONARDO**	-	-	-	-	-	-	-	-	-
	Via Scrutto 114	FUNZ.	181	-	-	-	78	140	238	**161**
BPC SCpA	**TAVAGNACCO**	-	-	-	-	-	-	-	-	-
	Via Udine 51	FUNZ.	1.046	-	-	-	-	360	598	**808**
BPC SCpA	**UDINE**	-	-	-	-	-	-	-	-	-
	Piazzale XXIV Luglio n.	FUNZ.	1.279	-	-	-	-	173	511	**941**
BPC SCpA	**UDINE**	-	-	-	-	-	-	-	-	-
	Via Marsala 62	FUNZ.	546	-	-	-	-	9	210	**345**
BPC SCpA	**GRADO**	-	-	-	-	-	-	-	-	-
	Via Marina 16	FUNZ.	399	-	-	-	-	89	173	**315**
BPC SCpA	**SPILIMBERGO**	-	-	-	-	-	-	-	-	-
	Corso Roma 37	FUNZ.	320	-	-	-	-	73	141	**252**
BPC SCpA	**PALMANOVA**	-	-	-	-	-	-	-	-	-
	Piazza Grande 12	FUNZ.	546	-	-	-	-	73	214	**405**
BPC SCpA	**S. VITO AL TAGLIAM**	-	-	-	-	-	-	-	-	-
	Viale del Mattino 2	FUNZ.	616	-	-	-	-	16	147	**485**
	Viale del Mattino 2	FUNZ.	19	-	-	-	-	1	5	**15**
BPC SCpA	**PORDENONE**	-	-	-	-	-	-	-	-	-
	Corso Garibaldi 59	FUNZ.	717	-	-	-	-	92	264	**545**
BPC SCpA	**PRATA DI PORDENONI**	-	-	-	-	-	-	-	-	-
	Via Dante 3 - Fraz. Puj	FUNZ.	207	-	-	-	-	10	64	**153**
BPC SCpA	**SACILE**	-	-	-	-	-	-	-	-	-
	Viale Lacchin 34	FUNZ.	280	-	-	-	-	66	98	**248**
BPC SCpA	**MANZANO**	-	-	-	-	-	-	-	-	-
	Via della Stazione	FUNZ.	929	-	-	-	-	53	281	**701**

		Use	Historic cost	Revaluation from cotribution	Law 576/75	Law 72/83	Law 413/91	Law 266/05	Depreciation	Carrying amount
BPC SCpA	**GORIZIA**	-	-	-	-	-	-	-	-	-
	Corso Verdi 40	FUNZ.	913	-	-	-	-	133	314	**732**
BPC SCpA	**SAN GIORGIO DI NOG.**	-	-	-	-	-	-	-	-	-
	Viale Europa Unita 15	FUNZ.	277	-	-	-	-	21	79	**219**
BPC SCpA	**CIVIDALE**	-	-	-	-	-	-	-	-	-
	Corso Mazzini	FUNZ.	1.815	-	-	-	-	72	200	**1.687**
BPC SCpA	**CORDENONS**	-	-	-	-	-	-	-	-	-
	Via Martiri della Libertà	FUNZ.	660	-	-	-	-	-	99	**561**
BPC SCpA	**UDINE**	-	-	-	-	-	-	-	-	-
	Via Marco Volpe	FUNZ.	138	-	-	-	-	-	3	**135**
BPC SCpA	**Cividale del Friuli**	-	-	-	-	-	-	-	-	-
	Corso Mazzini 36	FUNZ.	601	-	-	-	-	-	75	**526**
BPC SCpA	**Udine**	-	-	-	-	-	-	-	-	-
	Via Vittorio Veneto	FUNZ.	3.803	-	-	-	-	-	418	**3.385**
BPC SCpA	**Cormons**	-	-	-	-	-	-	-	-	-
	Corte Leon Bianco	FUNZ.	809	-	-	-	-	-	86	**723**
BPC SCpA	**Porcia**	-	-	-	-	-	-	-	-	-
	Calle del Carbon n. 15	FUNZ.	467	-	-	-	-	-	50	**417**
BPC SCpA	**Tolmezzo**	-	-	-	-	-	-	-	-	-
	Via Matteotti	FUNZ.	1.034	-	-	-	-	-	115	**919**
BPC SCpA	**Udine**	-	-	-	-	-	-	-	-	-
	Via della Prefettura	FUNZ.	112	-	-	-	-	-	10	**102**
BPC SCpA	**San Daniele**	-	-	-	-	-	-	-	-	-
	Viale Venezia	FUNZ.	760	-	-	-	-	-	83	**677**
BPC SCpA	**Cividale del Friuli**	-	-	-	-	-	-	-	-	-
	Via Carlo Alberto	FUNZ.	1.080	-	-	-	-	-	126	**954**
BPC SCpA	**Sacile**	-	-	-	-	-	-	-	-	-
	Viale Lacchin n. 36	FUNZ.	217	-	-	-	-	-	14	**203**
BPC SCpA	**Mestre**	-	-	-	-	-	-	-	-	-
	Riviera XX Settembre	FUNZ.	2.051	-	-	-	-	-	115	**1.936**
BPC SCpA	**Cividale del Friuli**	-	-	-	-	-	-	-	-	-
	Via dei Miani	FUNZ.	282	-	-	-	-	-	15	**267**
BPC SCpA	**CIVIDALE**	-	-	-	-	-	-	-	-	-
	Via Foramitti	FUNZ.	35.643	-	-	-	-	-	-	**35.643**
CVL Spa	**Gorizia**	-	-	-	-	-	-	-	-	-
	Via del Monte Santo m.	INV	1.400	-	-	-	-	-	42	**1.358**
CVL Spa	**Castion di Strada**	-	-	-	-	-	-	-	-	-
	Via Napoleonica n. 9	INV	2.973	-	-	-	-	-	473	**2.500**
TBG Srl	**CIVIDALE**									
	Via Foramitti	INV	9.555	-	-	-	-	-	-	**9.555**
	TOTAL		**79.221**	**727**	**128**	**825**	**2.611**	**13.525**	**13.665**	**83.371**

Disclosure of fees for services rendered by the independent auditors pursuant to Article 149-*duodecies* of Consob Regulation No. 11971/1999

Type of service	Fees paid in 2013
Services provided to the Parent ank Banca Popolare di Cividale Scpa	**183.866**
Independent auditors: Reconta Ernest & Young	
- Auditing services	183.866
- Inspection services for the purpose of issuing certification (**)	-
- Other services	-
Companies belonging to the independent auditors' network: Ernst & Young FBA S.p.A:	**50.000**
- Other services - Support services to activities of reporting, analysis and formalisation of the administrative/accounting procedures	50.000
- Other services - Support services to the implementation of the process of internal capital adequacy assessment (ICAAP) Basel 2	
- Other services - Support services for project analysis model for the evaluation of unlisted debt securities of the Group	
Total	**233.866**

Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	31/12/2013	31/12/2012
Cash and cash equivalents	10 - Cash and cash equivalents	20.021	25.501
Financial assets held for trading	20 - Financial assets held for trading	3.512	11.198
Financial assets available for sale	40 - Financial assets available for sale	1.472.132	1.393.365
Financial assets held to maturity	50 - Invetments held to maturity	105.413	104.107
Due from banks	60 - Due from banks	163.750	383.227
Loans to customers	70 - Loans to customers	3.113.834	3.182.832
Hedging derivatives	80 - Hedging derivatives	-	-
Equity investments	100 - Investments in associates and companies subject to joint	7.529	8.635
Property and equipment and intangible assets	120 - Property and equipment	86.998	77.260
	130 - Intangible assets	19.379	19.247
Other assets	140 - Tax assets	73.893	42.115
	150 - Non-current assets held for sale and discontinued operations	-	-
	160 - Other assets	30.797	39.082
Total assets		**5.097.258**	**5.286.569**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	31/12/2013	31/12/2012
Due to banks	10 - Due to banks	1.010.863	970.236
Direct funding from customers	20 - Due to customers	2.968.412	2.680.797
	30 - Debt securities issued	730.284	1.107.135
Financial liabilities held for trading	40 - Financial liabilities held for trading	965	2.073
Hedging derivatives	60 - Hedging derivatives	-	2.915
Other liabilities	80 - Tax liabilities	27.056	26.289
	90 - Liabilities associated with discontinued operations	-	-
	100 - Other liabilities	89.277	92.923
Specific provisions	110 - Employee termination benefits	5.658	5.647
	120 - Provisions for risk and charges:	3.436	1.289
Shareholders' equity pertaining to minority interests	210 - Minority interest (+/-)	-	57.659
Shareholders' equity	140 - Valuation reserves	8.552	28.730
	170 - Reserves	38.920	63.752
	180 - Share premiums	198.570	196.529
	190 - Share capital	51.068	50.783
	200 - Treasury shares (-)	(7)	(9.740)
	220 - Net income (loss) for the period (+/-)	(35.793)	9.553
Total liabilities		**5.097.258**	**5.286.569**

Reconciliation of consolidated income statement and reclassified consolidated income statement

RECLASSIFIED INCOME STATEMENT	Consolidated income statement	31/12/2013	31/12/2012
Net interest income (including result of hedging)	30 - Net interest income	82.460	84.690
	90 - Fair value adjustments in hedge accounting	(54)	1.118
Total Net interest income (including result of hedging)		**82.406**	**85.809**
Dividends and net income (loss) of equity investments accounted for using equity method	70 - Dividends and similar income	996	771
	240 - Profit (loss) on equity investments	282	1.141
	270 - Profit (loss) on disposal of investments	-	356
Total Dividends and net income (loss) of equity investments accounted for using equity method		**1.278**	**2.268**
Net commissions	**60 - Net commission income**	**22.287**	**23.523**
Other operating income (net of recovered expenses)	220 - Other operating income (expenses)	6.595	7.528
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(5.859)	(4.663)
Total Other operating income (net of recovered expenses)		**736**	**2.865**
Net trading income	**80 - Net trading income**	**423**	**3.332**
Gains (losses) from purchase/sale of loans and financial assets	100 - Profit (loss) on disposal or repurchase of:		0
	a) loans	852	65
	b) financial assets available for sale	51.586	11.596
	c) financial assets held to maturity	-	-
	d) financial liabilities	(1.806)	(2.783)
Total Gains (losses) from purchase/sale of loans and financial assets		**50.633**	**8.878**
OPERATING REVENUES		**157.762**	**126.674**
Personnel expenses	180 a) personnel expenses	(41.308)	(40.726)
Other administrative expenses (net of recovered expenses)	180 b) other administrative expenses	(32.702)	(32.485)
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	5.859	4.663
Total Other administrative expenses (net of recovered expenses)		**(26.843)**	**(27.822)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding (	200 - Net impairment/write-backs on property, plant and equipment	(1.266)	(1.331)
	210 - Net impairment/write-backs on intangible assets	(108)	(256)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(1.374)**	**(1.587)**
OPERATING COST		**(69.525)**	**(70.135)**
INCOME (LOSS) FROM OPERATING		**88.237**	**56.539**
Goodwill impairment	260 - Goodwill impairment	(1.051)	-
Charges/write-backs on impairment of loans	130 a) loans	(118.911)	(40.543)
Charges/write-backs on impairment of other assets	130 b) financial assets available for sale	(9.281)	(836)
	130 c) financial assets held to maturity	-	-
	130 d) other financial transactions	42	47
Total Charges/write-backs		**(128.150)**	**(41.332)**
Net provisions for risks and charges	190 - Net provisions for risks and charges	(2.410)	(858)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(43.374)**	**14.349**
Tax on income from continuing operations	290 - Tax on income from continuing operations	7.581	(8.022)
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(35.793)**	**6.327**
Income (loss) after tax from discontinued operations	310 - Income (loss) after tax from discontinued operations	-	-
Minority interest	330 -Minority interest	-	3.226
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**(35.793)**	**9.553**

Separate financial statements at 31 December 2013 of Banca Popolare di Cividale S.c.p.A.

FINANCIAL STATEMENTS

Balance sheet

Balance sheet - Assets			31/12/2013		31/12/2012
10	Cash and cash equivalents		20.019.721		-
20	Financial assets held for trading		3.512.363		4.761.428
40	Financial assets available for sale		1.472.114.620		1.338.051.425
50	Invetments held to maturity		105.412.626		104.107.350
60	Due from banks		162.911.810		700.617.161
70	Loans to customers		3.082.164.168		756.951.051
100	Investments in associates and companies subject to joint		36.717.835		204.554.579
110	Property and equipment		72.611.967		29.953.708
120	Intangible assets		19.135.900		-
	of which:				
	- goodwill	19.135.900		-	
130	Tax assets		68.429.363		4.230.335
	a) current	16.598.962		3.706.838	
	b) deferred	51.830.401		523.497	
150	Other assets		30.526.823		7.113.008
	Total assets		**5.073.557.196**		**3.150.340.045**

Balance sheet - liabilities and shareholders' equity			31/12/2013		31/12/2012
10	Due to banks		997.921.834		910.448.014
20	Due to customers		2.958.519.304		1.186.802.122
30	Debt securities issued		730.283.917		714.223.627
40	Financial liabilities held for trading		965.035		45.775
60	Hedging derivatives		-		2.914.982
80	Tax liabilities		26.113.142		17.180.945
	a) current	18.992.299		8.990.523	
	b) deferred	7.120.843		8.190.422	
100	Other liabilities		83.635.968		8.517.538
110	Employee termination benefits		5.644.645		418.840
120	Provisions for risk and charges:		3.296.111		17.000
	b) other provisions	3.296.111		17.000	
130	Valuation reserves		8.551.574		19.980.920
160	Reserves		42.845.467		38.045.695
170	Share premiums		198.569.529		196.529.480
180	Share capital		51.067.947		50.783.289
190	Treasury shares (-)		(7.277)		(9.740.441)
200	Net income (loss) for the period (+/-)		(33.850.000)		14.172.259
	Total liabilities and shareholders' equity		**5.073.557.196**		**3.150.340.045**

The comparative period has been reclassified due to the retrospective application of accounting standard IAS 19.

Income statement

Income statement			31/12/2013		31/12/2012
10	Interest income and similar revenues		135.260.801		62.287.092
20	Interest expense and similar charges		(57.495.815)		(38.784.338)
30	**Net interest income**		**77.764.986**		**23.502.754**
40	Commission income		28.976.253		448.534
50	Commission expense		(7.020.743)		(2.662.925)
60	**Net commission income**		**21.955.510**		**(2.214.391)**
70	Dividends and similar income		1.332.973		1.544.300
80	Net trading income		422.988		3.114.135
90	Fair value adjustments in hedge accounting		(53.830)		(263.944)
100	Profit (loss) on disposal or repurchase of:		50.861.422		7.805.031
	a) loans	1.080.877		31.908	
	b) financial assets available for sale	51.586.307		10.641.920	
	d) financial liabilities	(1.805.762)		(2.868.797)	
120	**Total income**		**152.284.049**		**33.487.885**
130	Charges/write-backs on impairment of:		(120.209.609)		(1.569.584)
	a) loans	(110.970.749)		(743.597)	
	b) financial assets available for sale	(9.280.797)		(825.987)	
	d) other financial transactions	41.937		-	
140	**Net Financial income**		**32.074.440**		**31.918.301**
150	G&A expenses:		(71.865.208)		(11.499.811)
	a) personnel expenses	(40.189.145)		(8.502.654)	
	b) other administrative expenses	(31.676.063)		(2.997.157)	
160	Net provisions for risks and charges		(2.379.805)		-
170	Net impairment/write-backs on property, plant and equipment		(1.221.560)		(219.967)
180	Net impairment/write-backs on intangible assets		(67.451)		(0)
190	Other operating income (expenses)		6.862.538		5.602.930
200	**Operating cost**		**(68.671.486)**		**(6.116.848)**
210	Profit (loss) on equity investments		(4.087.980)		(3.352.267)
250	**Income (loss) before tax from continuing operations**		**(40.685.026)**		**22.449.185**
260	Tax on income from continuing operations		6.835.026		(8.276.926)
270	**Income (loss) after tax from continuing operations**		**(33.850.000)**		**14.172.259**
290	**Net income for the period**		**(33.850.000)**		**14.172.259**

Statement of comprehensive income

		31/12/2013	31/12/2012
10	**NET INCOME (LOSS)**	**(33.850.000)**	**14.172.259**
	Other comprehensive income (net of tax)		
40	Actuarial gains (losses) from defined benefit plans	184.523	(69.259)
100	AFS financial assets	(10.645.917)	27.261.703
	a) fair value changes	(10.645.917)	27.261.703
130	**Total other income, net of income taxes**	**(10.461.394)**	**27.192.444**
140	**Comprehensive income (10 + 130)**	**(44.311.394)**	**41.364.703**

Statement of changes in shareholders' equity (2013)

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

(*) The amount refers to valuation reserves for property, plant and equipment.

Statement of changes in shareholders' equity (2012)

2012	Balance at 01-01-2012	Allocation of result for previous period		Changes during the year								Shareholders' equity at 31/12/2012
					Equity operations							
		Reserves	Dividends and other uses	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Stock options	Total comprehensive income for the period	
Share capital	**50.788.023**	-	-	**(4.734)**	-	-	-	-	-	-	-	**50.783.289**
a) ordinary shares	50.788.023	-	-	(4.734)	-	-	-	-	-	-	-	50.783.289
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529.480**	-	-	-	-	-	-	-	-	-	-	**196.529.480**
Reserves	**34.234.071**	**3.711.797**	-	**99.827**	-	-	-	-	-	-	-	**38.045.695**
a) income	34.234.071	3.711.797	-	99.827	-	-	-	-	-	-	-	38.045.695
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**(7.214.851)**	-	-	**3.327**	-	-	-	-	-	-	**27.192.444**	**19.980.920**
a) available for sale	(10.479.408)	-	-	-	-	-	-	-	-	-	27.261.703	16.782.295
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	3.264.557	-	-	3.327	-	-	-	-	-	-	(69.259)	3.198.625
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	**(9.740.441)**	-	-	-	-	-	**(9.740.441)**
a) of Parent Company	-	-	-	-	-	(9.740.441)	-	-	-	-	-	(9.740.441)
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the perio	**11.630.000**	**(3.711.797)**	**(7.918.203)**	-	-	-	-	-	-	-	**14.172.260**	**14.172.260**
Shareholders' equity	**285.966.723**	-	**(7.918.203)**	**98.420**	-	**(9.740.441)**	-	-	-	-	**41.364.703**	**309.771.202**

(*) The amount refers to valuation reserves for property, plant and equipment.

Statement of cash flows

CASH FLOW STATEMENT				
OPERATING ACTIVITY	**31/12/2013**		**31/12/2012**	
1. Operations		**98.282.137**		**69.795.299**
- interest income received (+)	136.689.492		155.937.971	
- interest expense paid (-)	(41.837.942)		(65.999.378)	
- dividends and similar revenues	-		-	
- net commissions (+/-)	26.153.170		23.739.876	
- staff costs	(37.707.583)		(37.352.630)	
- other expenses (-)	(39.873.381)		(23.831.404)	
- other revenues (+)	54.858.381		16.925.734	
- taxes and duties (-)	-		375.131	
2. Liquidity generated/absorbed by financial assets: (+/-)		**106.641.027**		**(518.726.623)**
- financial assets held for trading	7.685.454		14.322.155	
- financial assets recognised at fair value	-		-	
- financial assets available for sale	(78.767.206)		(613.782.631)	
- loans to custumers	(33.276.358)		(96.959.372)	
- due from banks: repayable on demand	623.893		46.766.660	
- due from banks: other	216.964.028		115.411.784	
- other assets	(6.588.784)		15.514.782	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(104.908.851)**		**419.911.198**
- due to banks: repayable on demand	(1.372.923)		(232.232.653)	
- due to banks: other	20.747.239		80.997.162	
- due to customers	282.459.011		1.024.197.285	
- securities issued	(377.650.000)		(494.161.585)	
- financial liabilities held for trading	(1.108.146)		(2.237.441)	
- financial liabilities recognized at fair value	-		-	
- other liabilities	(27.984.032)		43.348.429	
Net liquidity generated/absorbed by operating activity A (+/-)		**100.014.313**		**(29.020.126)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**1.332.973**		**1.371.112**
- disposal of equity investments	-		-	
- dividends received on equity investments	1.332.973		1.545.724	
- disposal of financial assets held to maturity	-		-	
- disposal of property, plant and equipment	-		-	
- disposal of intangible assets	-		(174.612)	
- disposal of subsidiaries and business units	-		-	
2. Liquidity absorbed by: (-)		**(9.186.413)**		**49.731.495**
- purchase of equity investments	1.087.980		(29.379.280)	
- purchase of financial assets held to maturity	(1.305.276)		76.227.608	
- purchase of property, plant and equipment	(8.969.117)		2.883.167	
- purchase of intangible assets	-		-	
- purchase of subsidiaries and business units	-		-	
Net liquidity generated/absorbed by investing activity B (+/-)		**(7.853.440)**		**51.102.607**
FUNDING ACTIVITY				
- issue/purchase of own shares	(91.216.881)		(9.241.392)	
- issue/purchase of capital instruments	-		-	
- distribution of dividends and other uses	(6.424.717)		(7.918.203)	
Net liquidity generated/absorbed by funding activity C (+/-)		**(97.641.598)**		**(17.159.595)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(5.480.725)**		**4.922.886**
RECONCILIATION				
Cash and cash equivalents at the start of the period E		25.500.445		20.577.559
Total net liquidity generated/absorbed during the period D		(5.480.725)		4.922.886
Cash and cash equivalents: effect of exchange rate changes F		-		-
Cash and cash equivalents at the end of the period G = E +/-D+/-F		**20.019.721**		**25.500.445**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Chapter A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

Section 1 Statement of compliance with international accounting standards

In application of Legislative Decree No. 38 of 28 February 2005, the separate financial statements of Banca Popolare di Cividale are prepared in accordance with the international accounting standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, the adoption of which was compulsory at 31 December 2013, including the relative Interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as established by Regulation (EC) No. 1606 of 19 July 2002.

The financial statements for the year ended 31 December 2013 have been prepared on the basis of the instructions issued by the Bank of Italy within the scope of its regulatory powers governing the technical form of the financial statements of banks and financial institutions as set forth in Legislative Decree No. 38/05 *Instructions for the Preparation of the Separate and Consolidated Financial Statements of Banks and Financial Institutions that are the Parent Companies of Banking Groups* (Order of 22 December 2005 – Circular No. 262 – second update of 21 January 2014), taking account of the changes announced by the Bank of Italy.

Those *Instructions* set out a compulsory presentation for the financial statements and the basis for the preparation thereof, as well as the contents of the notes to the financial statements.

The financial statements have been prepared using the international accounting standards in force at 31 December 2013 (including the SIC and IFRIC interpretation documents).

During 2013, the European Commission published the following regulations endorsing new international accounting standards and amendments of accounting standards already in force:

- No 183/2013 of 4 March 2013, adopting amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*;
- No 301/2013 of 27 March 2013, adopting *Improvements to International Financial Reporting Standards – 2009-2011 Cycle*;
- No 313/2013 of 4 April 2013, adopting IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, applicable on a compulsory basis effective 1 January 2014;
- No 1174/2013 of 20 November 2013, concerning investment entities, amending International Financial Reporting Standards (IFRSs) 10 and 12 and International Accounting Standard (IAS) 27;
- No 1374/2013 of 19 December 2013, adopting additional disclosures concerning the recoverable amounts of non-financial assets (amendments to IAS 36);
- No 1375/2013 of 19 December 2013, adopting *Novation of Derivatives and Continuation of Hedge Accounting* (amendments to IAS 39).
- With respect to the standards included in the financial statements for the previous year, attention should be drawn to the entry into force of the following from 1 January 2013:
- the amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*;
- IAS 19 *Employee Benefits*;
- IFRS 13 *Fair Value Measurement*, the standard that defines fair value and provides a framework of reference for determining fair value, as well as requiring additional disclosures concerning measurements;
- the amendments to IFRS 7 and IAS 32 concerning the offsetting of financial assets and liabilities.

With regard to gains and losses recognised directly in equity, the amendment to IAS 1 provides for a distinction between elements that may or may not be recycled to profit or loss. The implementation of this amendment takes the form of a simple disclosure.

The main change incorporated in the new version of IAS 19 relates to the provision of a single criterion for accounting for actuarial gains and losses deriving from the measurement of defined-benefit plans. In fact, with respect to the previous version of the Standard, the possibility of recognising all actuarial gains and losses immediately in profit or loss (the approach taken by the Group through 31 December 2012) has been eliminated, and such gains and losses must now be recognised in a specific item of equity to be presented in other comprehensive income.

The application of IFRS 13 does not extend the scope of application of fair value measurement, but rather provides guidelines concerning how to measure the fair value of financial instruments and non-financial assets and liabilities already required or allowed by other accounting standards. Fair value measurement rules, previously present in various standards, in some cases with inconsistent provisions, have thus been concentrated into a single standard. Considering that many of the concepts of IFRS 13 are consistent with the current practice, the new Standard does not have a significant impact on the Bank's measurements.
On the other hand, fair value disclosure obligations have been expanded to extend to financial and non-financial assets and liabilities measured at fair value on a non-recurring basis. These obligations were incorporated into the second update to Bank of Italy Circular No. 262.
The amendment to IFRS 7 aims to reconcile IFRS offsetting rules – as defined in IAS 32 – with US GAAP offsetting rules by requiring that the effects of netting arrangements on financial assets and liabilities be mentioned by providing a disclosure in the notes.
The publication of the consolidated financial statements for the year ended 31 December 2013 was authorised by the Board of Directors on 18 March 2014.

Section 2 General basis of preparation

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and the notes to the financial statements. A report on operations, earnings results and financial position has also been included. The figures presented in the financial statements and in the notes, as well in the report on operations, are expressed in thousands of euro, unless otherwise indicated. The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2012. The financial statements have been prepared in application of the general preparation principles set forth in IAS 1, the accounting standards illustrated in Chapter A.2 of the notes (international accounting standards endorsed by the European Union the adoption of which was compulsory at 31 December 2013) and the general requirements laid down in the *Framework for the Preparation and Presentation of Financial Statements* drafted by the International Accounting Standards Board (IASB).
Measurement criteria have been adopted in view of the continuity of company activity and reflect the principles of accruals-basis accounting, the materiality and significant of accounting information and the prevalence of economic substance over legal form.
In particular, the directors may reasonably expect that the Bank will continue to operate as a going concern for the foreseeable future (at least twelve months) and have prepared the financial statements on a going-concern basis. Any uncertainties identified are not material and do not cast doubt on the ability to operate as a going concern.
The financial statements for the year ended 31 December 2013 have been prepared in a clear manner and provide a fair and true representation of the Bank's financial position and earnings results for the year.

Contents of the financial statements

The balance sheet and income statement consist of items, sub-items and further information (the "of which" within items and sub-items). In the income statement, revenues are indicated without sign, whereas costs are presented in parentheses.
The statement of comprehensive income consists of items that show changes in the carrying amount of assets during the year recognised through valuation reserves. Negative amounts are presented in parentheses.
The statement of changes in shareholders' equity presents the composition of and changes in shareholders' equity accounts during the reporting year and the previous year, broken down into share capital, equity reserves, reserves from retained earnings, reserves from the valuation of assets or liabilities and net income or loss. Treasury shares are deducted from shareholders' equity.
The statement of cash flows has been prepared according to the direct method, which shows the main categories of gross receipts and payments. Cash flows have been presented by distinguishing between operating, investing and financing activity.
The notes to the financial statements include the information provided for by International Financial Reporting Standards and Circular No. 262/2005 of the Bank of Italy (second update of 21 January 2014).
The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2012.

Section 3 Subsequent events

Please refer to the corresponding section of the report on operations.

Section 4 Other issues

During the year, there were no transactions or events of a non-recurring nature beyond the normal course of business with a material impact on operating performance or financial position aggregates (Consob Notice No. DEM/6064293 of 28.7.2006), with the exception of the acquisition of the minority interests in the subsidiaries Banca di Cividale S.p.A. and NordEst Banca S.p.A. and the merger of the two subsidiaries Banca di Cividale S.p.A. and NordEst Banca S.p.A. into the Parent Company, Banca Popolare di Cividale S.c.p.A. This latter transaction was undertaken in the context of the reorganisation of the Banca Popolare di Cividale Group and thus did not have a material effect on the consolidated financial statements.

Tax consolidation

For the three-year period from 2012 to 2014, the Parent Company and the subsidiary Civileasing S.p.A. adopted the consolidated taxation mechanism. The option, governed by Articles 117 *et seq.* of the Consolidated Income Tax Act (introduced into the tax code by Legislative Decree No. 344/2003), allows income to be taxed at the consolidated level by transferring the tax positions of participating companies to the Parent Company. The option exercised between Banca Popolare di Cividale and its subsidiaries Banca di Cividale S.p.A. and NordestBanca S.p.A. thus expired as a result of the merger.

The separate financial statements have been audited by Reconta Ernst & Young S.p.A.

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section describes the accounting policies adopted in preparing the financial statements for the year ended 31.12.2013 and includes an illustration by item of the criteria for recognition, classification, measurement, derecognition and, where relevant, the criteria for the recognition of income components.

Application of the new IAS 19 Employee Benefits

The amendment to IAS 19, issued by the IASB on 16 June 2011 and endorsed by Regulation (EC) No 475/2012 of 6.6.2012, amending the rules for accounting for defined-benefit plans and termination benefits, entered into effect on 1 January 2013.
In the case of the Banca Popolare di Cividale Group, the new rules apply solely to the accounting treatment of the termination indemnity provision.
The amendment eliminates the option of recognising actuarial gains and losses in profit or loss, instead requiring full recognition in other comprehensive income directly through an equity reserve.
In accordance with IAS 19, the amendments to the accounting standard have been applied retrospectively, starting from the opening accounting balances for 2012.
In this regard, it bears remarking that if the new Standard had been applied to 2012, the net income for that year would have increased by €69 thousand on negative reserves for actuarial losses on defined-benefit plans of €69 thousand, net of the tax effect. Shareholders' equity at 31 December 2012 would not have changed.

Financial assets held for trading

This category includes debt and equity securities held for trading and the positive value of derivative contracts. Derivative contracts also include those embedded in hybrid financial instruments that have been recognised separately because:

- their financial characteristics and risks are not strictly correlated with the characteristics of the host contract;
- the embedded instruments meet the definition of derivative, even when separated; and
- the hybrid instruments are not measured at fair value with changes in fair value recognised through the income statement.

Reclassifications to other categories of financial assets are not permitted except in cases of unusual events that are highly unlikely to recur in the near term. In such cases, debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition have been met (financial assets held to maturity, financial assets available for sale and loans and receivables). The transfer value is the fair value at the time of the reclassification. The presence of any embedded derivative contracts to be separated is assessed upon reclassification.
Initial recognition of financial assets occurs at the settlement date for debt securities and equities and the trade date for derivative contracts. Upon initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument. Any derivatives embedded in hybrid contracts that are not closely correlated with their host contracts and meet the requirements for consideration as a derivative are separated from the host contract and recognised at fair value.
After initial recognition, financial assets held for trading are measured at fair value. The effects of the application of this measurement criterion are taken to the income statement.
Market prices are used to determine the fair value of financial instruments quoted on active markets. In the absence of an active market, the Group uses estimation methods and valuation models that take account of all risk factors associated with the instruments and that, where possible, are based on data that may be obtained from the market, such as: the valuation of quoted instruments with similar characteristics (comparables method), discounted cash flow analysis, option-pricing models, values reported for of recent comparable transactions (recent transactions method), etc.
Where it is impossible to use the approaches indicated above, the Group adopts estimation methods and valuation models that also contemplate input data not directly available from the market.
Equity securities, units of CIUs that invest in equity securities and derivatives on equity securities not quoted on active markets for which fair value may not be determined reliably according to the foregoing guidelines continue to be carried at cost.
Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. Conversely, if a significant part of the risks and rewards associated with the

transferred financial assets has been retained, those assets continue to be carried, even though ownership of the assets has effectively been transferred. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.
Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows from the assets, but assumes a concurrent obligation to remit such cash flows, and only such cash flows, to third parties.

Financial assets available for sale
This category includes non-derivative financial assets not classified as loans and receivables, financial assets held to maturity, financial assets held for trading or designated at fair value. In particular, this category includes not only debt securities not held for trading or classified to the other foregoing portfolios, but also equity interests not managed for trading purposes or classifiable as interests in subsidiaries, associates or joint ventures.
Where allowed by accounting standards, reclassifications are permitted only into the category financial assets held to maturity, except in cases of unusual events that are highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the IAS 39 categories financial assets held to maturity and loans and receivables if the conditions for their recognition have been met. The transfer value is the fair value at the time of the reclassification.
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, where allowed by the accounting standards, an asset is recognised following reclassification from financial assets held to maturity or, in rare circumstances, from financial assets held for trading, the recognition value is the fair value as at the time of transfer.
After initial recognition, financial assets available for sale are measured at their fair value by recognising their amortised cost in the income statement, while gains or losses deriving from changes in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised or becomes impaired. When the financial asset is sold or impairment is recognised, the cumulative gain or loss must be reversed, in whole or in part, to the income statement.
Fair value is determined on the basis of the criteria illustrated above for financial assets held for trading. Equities and derivative instruments with equities as underlying assets that are not quoted on an active market, the fair value of which may not be determined reliably, continue to be carried at cost.
Financial assets available for sale are assessed to determine whether they show objective evidence of an impairment loss. If such evidence is found to exist, the amount of the loss is measured as the difference between the asset's acquisition cost and its fair value, less any previously recognised impairment losses. If the grounds for impairment cease to apply as a result of an event that occurs after an impairment loss has been recognised, recoveries are recognised in the income statement for loans or debt securities and in shareholders' equity for equities.
Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.
Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

Financial assets held to maturity
Item "50 Financial assets held to maturity" includes non-derivative quoted debt securities with fixed or determinable payments and fixed maturities that the entity actually intends and is able to hold until maturity. Where allowed by accounting standards, reclassifications are permitted solely into the category financial assets available for sale. Where a material amount of investments classified to this category is sold or reclassified prior to maturity, the remaining financial assets held to maturity are reclassified as financial

assets available for sale, and the use of the portfolio in question is restricted for the following two years, unless such sales or reclassifications:

- are so close to the maturity or the call date of the financial asset that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Assets in this category are initially recognised at the settlement date and are measured at their fair value, including directly attributable transaction costs and revenue. If an asset is included in this category due to reclassification from financial assets available for sale or, in rare circumstances, from financial assets held for trading, the asset's reclassification date fair value is taken as its new amortised cost.
After initial recognition, such assets are measured according to the amortised cost method through the effective interest rate approach. Gains or losses associated with financial assets held to maturity are recognised in the income statement when the assets are derecognised or become impaired, and through the amortisation process applicable to the difference between carrying amount and the value reimbursable at maturity. It is periodically assessed whether there is objective evidence that such financial assets have become impaired. If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the income statement. If the grounds for impairment cease to apply due to an event that occurs after such a loss has been recognised, a recovery is recognised through the income statement. The amount of the recovery cannot result in a carrying amount for the financial asset in excess of its amortised cost if no impairment losses had been recognised in previous periods.
Financial assets are only derecognised if they are transferred along with substantially all of the associated risks and rewards of ownership. When it is not possible to determine that substantially all risks and rewards have been transferred, financial assets are derecognised where no control over the assets has been retained. Where this is not the case, continuing control, even partial control, results in continuing recognition of the assets to the extent of the entity's continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in the associated cash flows.
Lastly, transferred financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

Loans and receivables
Loans and receivables include loans to customers and banks with fixed or determinable payments that are not quoted on an active market. The item also includes commercial loans, repurchase agreements with the obligation a forward resale obligation, receivables originating from finance lease transactions and securities subscribed at issue or via private placements, with fixed or determinable payments and not quoted in active markets. Reclassifications to the other IAS 39 categories of financial assets are not allowed.
Loans and receivables are initially recognised on the date the contract is signed, which normally coincides with the date of disbursement, while debt securities are recognised on the settlement date. A loan or receivable is recognised according to its fair value, which is equal to the amount disbursed or the subscription price, including any costs or revenues directly attributable to the individual loan or receivable and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded. If in certain rare circumstances an asset is included in this category due to reclassification from financial assets available for sale or from financial assets held for trading, the asset's reclassification date fair value is taken as its new amortised cost.
After initial recognition, loans and receivables are measured at amortised cost, which is equal to their initial value increased or decreased by principal repayments, adjustments or recoveries and amortisation – calculated according to the effective interest method – of the difference between the amount disbursed and the amount to be repaid at maturity, typically attributable to the costs/revenues directly connected to the single loan or receivable. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan or receivable, by way of principal and interest, to the amount disbursed, including the costs/revenues attributable to the loan or receivable.

The amortised cost method is not used for loans or receivables for which application of the discounting approach may be deemed immaterial due to their short durations. Such loans or receivables are measured at their historical cost. An analogous measurement criterion is applied to loans or receivables with an unspecified maturity or with a notice period.
Loans and receivables are tested to identify those that show objective evidence of possible impairment as a result of events after initial recognition.
These include loans and receivables classified as bad debts, substandard loans, restructured loans and past-due positions according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations. Such non-performing loans and receivables are measured separately, or according to the expected loss for homogenous categories and analytical allocation to each position, and the amount of the adjustment of each loan or receivable is the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows account for expected recovery periods, the presumed realisable value of guarantees and estimated debt-recovery costs. The adjustment is recognised in the income statement.
The original amount of a loan or receivable is recovered in subsequent periods to the extent that the grounds for impairment cease to apply, provided that such valuation is objectively attributed to an event after the impairment loss. The recovery is recognised in the income statement and cannot result in a carrying amount for the loan or receivable in excess of its amortised cost if no impairment losses had been recognised in previous periods. Recoveries on impairment include time-value effects.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower’s financial situation, provided that the interest rate applied is a market rate at the renegotiation date. When renegotiations are granted to borrowers suffering from a deterioration in their financial situation, exposures are classified under non-performing loans.
Loans or receivables for which no objective evidence of loss has emerged from individual testing are tested collectively. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at the measurement date, which allow the latent loss for each loan category to be estimated. Measurement also considers the risk connected to the borrower’s country of residence. Collective adjustments are recognised through the income statement.
Transferred loans and receivables are only derecognised if they are transferred along with substantially all risks and rewards of ownership. If it cannot be determined that substantially all risks and rewards have been transferred, loans and receivables are derecognised provided that no control has been retained. If this is not the case, continuing control, including partial control, results in the entity continuing to carry the loans and receivables to the extent of its continuing involvement, measured as the entity's exposure to changes in the value of the transferred loans and receivables and changes in the associated cash flows.
Lastly, transferred loans are derecognised if the entity retains the contractual rights to receive the cash flows from the loan or receivables, but assumes a concurrent obligation to remit those cash flows, and only those cash flows, to third parties.

Equity investments
The item includes investments in joint ventures and associates.
Companies are considered joint ventures when the voting rights and the control of the economic activities of the company are equally shared, directly or indirectly, with another entity.
Companies are considered associates, that is, subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20% of voting rights, or if the Parent Company holds a lesser equity stake but has the power to participate in determining the company’s financial and operational policies due to specific legal relationships such as participation in shareholders’ agreements.
Where there is evidence of impairment, the recoverable amount of an investment is estimated, considering the present value of the future cash flows that may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement. If the grounds for impairment cease to apply due to an event that occurs after such a loss has been recognised, a recovery is recognised through the income statement.
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is transferred along with substantially all the associated risks and rewards.

Property, plant and equipment
Property, plant and equipment include land, buildings used in operations, technical plant, furniture, fixtures and equipment of all types. They are tangible items that are held for use in the production or supply of goods or services and are expected to be used during more than one period. Property, plant and equipment are initially recognised at cost, which also includes any expenses directly attributable to purchasing or commissioning the asset. Extraordinary maintenance expenses that increase the future economic benefits are allocated to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.
Items of property, plant and equipment are then measured at cost less accumulated appreciation, including any impairment losses or recoveries.
Property, plant and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount consists of the cost of the assets less their estimated residual value at the end of the depreciation period. Buildings are amortised at a rate deemed appropriate to account for the deterioration of the assets over time due to use. By contrast, land is not depreciated, irrespectively of whether it is acquired individually or embedded in the value of buildings, since it has an indefinite useful life. Each asset's residual amount, useful life and depreciation methods are revised at the end of each year and, where necessary, adjusted on a prospective basis.
If there is evidence that an asset may have become impaired, the carrying value and recoverable amount of the asset are compared. Any impairment losses are recognised in the income statement. If the grounds for impairment cease to apply, a recovery is recognised, in an amount that may not exceed the asset's value net of depreciation charges, in the absence of any previous impairment losses.
Items of property, plant and equipment are derecognised on disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected to flow from its disposal.

Intangible assets
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Goodwill, which represents the positive difference between the purchase cost and the fair value of an acquiree's assets and liabilities, is also recognised among intangible assets.
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. Where this is not the case, the cost of an intangible asset is recognised in the income statement in the year in which it is incurred.
For assets with finite useful lives, cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected to flow from the asset.
Assets with indefinite useful lives are not subject to systematic amortisation, but rather periodically tested for impairment. If there is any evidence that an asset may have become impairment, that asset's recoverable amount is estimated. The impairment loss, which is recognised through the income statement, is equal to the difference between the carrying amount and recoverable amount of the asset.
In particular, intangible assets include:

- technology-related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years; and
- goodwill.

Goodwill may be recognised when the positive difference between the fair value of the shareholders' equity acquired and the purchase price or initial recognition amount (inclusive of accessory costs) is representative of the equity investment's future income-generating potential. If the difference is negative (badwill), or if goodwill is not justified by the entity's future income-generating potential, it is recognised directly through the income statement.
Goodwill is tested for impairment annually (or whenever there is evidence of impairment). The amount of an impairment loss is determined on the basis of the difference between the carrying amount of goodwill and the recoverable amount of the CGU to which the goodwill has been allocated, if lower. The recoverable amount is equal to the greater of the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are recognised through the income statement.
An intangible asset is derecognised upon disposal or when no future economic benefits are expected to flow from the use or disposal of the asset.

Current and deferred taxation

Income tax, calculated according to the national tax code, is accounted for as a cost on an accruals basis, in a manner consistent with the method applied to account for the costs and revenue that give rise to the tax. It thus represents the balance of current and deferred taxation relating to the net income or loss for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these items include the net balance of current tax liabilities for the year, calculated on the basis of a conservative estimate of the tax charges due for the year, assessed according to the tax code currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes paid or tax credits from previous years that the Bank claimed against taxes payable in future years. Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.

Considering the Group's adoption of the national tax consolidation mechanism, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years. Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are set off against one another.

If deferred tax assets and liabilities refer to items affecting the income statement, they are recognised through income taxes.

Deferred tax liabilities associated with companies included in the scope of tax consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

Provisions

Provisions are recognised to account for liabilities the amount or timing of which is uncertain, if and only if:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the probable future outlay can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance-sheet date and reflects the risks and uncertainties that inevitably surround various events and circumstances. Provisions and increases due to the time factor are recognised in the income statement. Provisions are released when it becomes unlikely that resources capable of yielding economic benefits will need to be expended in order to discharge the obligation or when the obligation is extinguished. Provisions include those for long-term and post-employment benefits within the scope of IAS 19 and provisions for risks and contingencies within the scope of IAS 37. Provisions do not include impairment losses recognised on the deterioration of guarantees, credit derivatives and similar items pursuant to IAS 39, which instead are recognised under "Other liabilities." The sub-item "Other provisions" includes amounts accrued to account for presumed losses in lawsuits in which an entity is a defendant, including revocatory actions, estimated outlays under complaints filed by customers concerning securities brokerage operations and a reliable estimate of other outlays in connection with any other legal or constructive obligation as at the end of the year or interim period.

Where the time factor is significant, provisions are discounted using current market rates. The discounting effect and the increase in provisions due to the passage of time are recognised through the income statement.

Debt and debt securities issued

Amounts due to banks, amounts due to customers and debt securities issued include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of bonds and other debt securities, net of any amounts repurchased.

Such financial liabilities are initially recognised on the date on which the contract is signed, which normally coincides with the moment of receipt of the sums deposited or the issuance of the debt securities. Financial liabilities are initially measured at their fair value, plus directly attributable transaction costs.
After initial recognition, financial liabilities are measured at amortised cost according to the effective interest method. An exception is made for short-term liabilities, where the time factor is immaterial, which are stated at collected amount.
Financial liabilities, or parts of such liabilities, are derecognised when they are extinguished, that is when the obligation is discharged or cancelled or expires. Such assets are also derecognised when they are repurchased on the market. Derecognition is based on the fair value of the component issued and the component repurchased at the purchase date. Any gains or losses deriving from the transaction, depending on whether the recognised amount of the repurchased component is greater or less than the purchase price, are recognised through the income statement. If a security is then placed again, this transaction is treated as a new issue and is recognised at the new placement price.

Financial liabilities held for trading

Financial liabilities held for trading consist of derivative contracts held for trading that present a negative fair value. All liabilities held for trading are designated at fair value through the income statement.

Foreign-currency transactions

Foreign-currency transactions are initially recognised in the functional currency using the applicable exchange rate on the transaction date. At every subsequent balance-sheet date:

- monetary items are translated at the exchange rate prevailing at the balance-sheet date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date; and
- non-monetary items designated at fair value are translated using the exchange rate prevailing at the date the fair value was determined.

A monetary item is the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Conversely, the fundamental characteristic of non-monetary items is the absence of the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Translation differences relating to monetary items are recognised through the income statement when they arise, whereas those relating to non-monetary items are recognised through shareholders' equity or the income statement, depending on the manner in which the gains or losses that include this component are recognised. Costs and revenues in foreign currencies are measured at the exchange rate prevailing at the date of recognition or, if they have yet to accrue fully, at the exchange rate prevailing at the balance-sheet date.

Other information

Business combinations

IFRS 3 (Revised) defines a business combination as a transaction or other event in which an acquirer obtains control of a business consisting of an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return. Business combinations thus include acquisitions of interests in subsidiaries, mergers, acquisitions of business branches, etc. IFRS 3 requires that all business combinations that fall within its scope of application are to be accounted for according to the acquisition method. For each business combination, one of the entities participating in the combination must be identified as the acquirer, defined as the entity that obtains control of another entity or group of businesses. Control is the power to govern the financial and operating policies of an entity or business so as to obtain the benefits from its activities. Control is obtained when more than one-half of voting rights is acquired. It is possible to acquire control even in the absence of one-half of voting rights if the entity obtains power:

- over one-half of voting rights under an agreement with other investors;
- to govern the financial and operating policies of the other entity under a charter or agreement;
- to appoint or replace the majority of the members of the other entity's governing body;
- to dispose of the majority of votes in meetings of the body charged with governing the company.

Although in some cases it may be difficult to identify an acquirer, there are normally situations that indicate the existence of an acquirer. In a business combination effected primarily by transferring cash or other assets, or by incurring liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. Other pertinent facts shall also be considered, including:

- the relative voting rights in the combined entity after the business combination;
- the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest;
- the composition of the governing body of the combined entity;
- the composition of the senior management of the combined entity;
- the terms of the exchange of equity interests.

The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities. In addition, in a business combination involving more than two entities, determining the acquirer shall include a consideration of, among other things, which of the combining entities initiated the combination, as well as the relative size of the combining entities.

The acquisition date is the date on which the acquirer obtains control of the acquiree and is the date from which the acquiree is consolidated in the acquiree's financial statements. When a business combination is effected in a single exchange, the date of the exchange is the acquisition date. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer to the former owners of the acquiree, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. The consideration that the acquiree transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are costs that the acquirer incurs to effect a business combination. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received, with the exception of the costs to issue debt or equity securities, which shall be recognised in accordance with IAS 32 and IAS 39.

Business combinations must be accounted for by applying the "acquisition method," whereby the identifiable assets acquired, including any intangible assets not previously recognised by the acquiree, and the identifiable liabilities assumed are recognised at their acquisition-date fair value. The fair value of the acquiree's assets, liabilities and contingent liabilities may be provisionally determined by the end of the year in which the combination is undertaken and must be finalised within twelve months of acquisition date.

If control is obtained through subsequent purchases, the acquirer must re-measure its previously held equity interest in the acquiree at the acquisition-date fair value and recognise the difference compared to the previous carrying amount, if any, in profit or loss.

The acquirer shall recognise goodwill on the acquisition date by measuring it as the amount by which the sum of the consideration transferred, the amount of any minority equity interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the equity interests in the acquiree previously held by the acquiree, exceeds the net amounts, determined at the acquisition date, of the identifiable assets acquired and identifiable liabilities assumed, measured on the basis of the above. If a negative difference is found to exist, that difference is recognised in profit or loss. For each business combination, minority interests in the acquiree, where existing, may be recognised at fair value, with the ensuing increase in the consideration transferred, or in proportion to the minority interest in the acquiree's identifiable net assets. In accounting for the transactions undertaken, the Group has recognised the minority interests in proportion to the minority share of the acquiree's identifiable net assets, without increasing the consideration transferred, and thus by recognising solely the portion of goodwill attributable to it.

Following the acquisition of control of a company, additional equity interests are accounted for by recognising the difference between the acquisition costs and carrying amounts of the minority interests acquired in Group equity. In a like manner, sales of minority interests not involving a loss of control do not generate gains or losses in the income statement, but rather changes in the Group's equity.

Business combinations between entities subject to common control are outside the scope of IFRS 3. In the absence of specific provisions of IASs/IFRSs, IAS 8 requires that entities use their judgment in applying an accounting standard that provides relevant, reliable and prudent information and reflects the economic substance of the transactions. Combinations of this nature, which are normally carried out in the context of company reorganisation projects, are thus accounted for by preserving the continuity of the acquiree's values in the acquirer's financial statements. In particular, the values of the assets acquired and liabilities assumed have been recognised on the basis of the values presented in the consolidated financial statements of the common group to which the combining entities belong.

Business combinations between entities under common control
Business combinations between entities under common control do not fall within the scope of application of International Financial Reporting Standard (IFRS) 3, nor are they governed by the other IFRSs. Accordingly, such transactions are subject to the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
IASs/IFRSs contain specific guidelines to be followed when a transaction is not within the scope of IFRSs, as described in paragraphs 10-12 of IAS 8, which require that the Directors also take account of the most recent pronouncements of other standard-setting bodies that use a similar conceptual structure for the definition of accounting standards.
In this regard, it may be observed that the Financial Accounting Standards Board (FASB) has published an accounting standard governing business combinations (FAS 141), which in various regards is similar to IFRS 3, but differently from that Standard includes, in an appendix, limited accounting guidelines applicable to common control transactions, previously described in Accounting Principles Board (APB) Opinion 16. In cases of transactions of this kind, the method ("pooling of interest") calls for assets and liabilities to be recognised at the historical (book) values of the merged companies, rather than at their respective fair values, without the recognition of goodwill.
This solution has essentially been adopted at the national level by Assirevi, in its document OPI No. 1 concerning the accounting treatment of "business combination of entities under common control" and OPI No. 2 concerning the accounting treatment of mergers.
Within the Banca Popolare di Cividale Group, "intragroup" business combinations, or other business combinations between "entities under common control" are thus undertaken on the basis of the book value of the transferred entities. If the consideration paid for the acquisition of the equity interest differs from the book value of the transferred entity, owing to the goodwill recognised, the difference is deducted from the acquirer's equity and the transaction is treated on a par with an extraordinary allocation of reserves.

Employee termination benefits
As a result of the entry into force of the 2007 Finance Act, which advanced to 1 January 2007 the effective date of the reform of supplementary pension schemes enacted in Legislative Decree No. 252 of 5 December 2005, employee termination benefits consist solely of sums accrued through 31 December 2006.
In further detail, portions of employee termination benefits accrued from 1 January 2007 are considered "defined-contribution plans" for accounting purposes in accordance with IAS 19. The expense is limited to the contribution defined by the provisions of the Italian Civil Code, without the need to apply any actuarial approach.
Conversely, the provision for employee termination benefits accrued as at 31 December 2006 continues to be considered a defined-benefit plan for accounting purposes in accordance with IAS 19. However, the liability associated with employee termination benefits is subject to actuarial assessment without pro-rating service rendered inasmuch as the service to be assessed may be considered fully accrued.
All actuarial gains and losses on defined-benefit plans are recognised immediately through other comprehensive income. Such actuarial gains and losses arise as the result of adjustments to previous actuarial assumptions due to actual experience or the modification of those assumptions. They are allocated to a specific equity reserve.

Guarantees and commitments
Guarantees issued are initially recognised at fair value, represented by the commission received, and then measured at the higher of the estimated obligation determined in accordance with IAS 37 and the amount initially recognised, gradually reduced by the portion attributable to the period. The total nominal value, excluding any uses made of guarantees issued, is shown in the notes to the financial statements.
Commitments are recognised according to the best estimate of the obligation determined in compliance with IAS 37. The total amount of commitments assumed is disclosed in the notes to the financial statements.

Recognition of revenue and costs
Revenues arising from the use by third parties of an entity's assets that generate interest, commissions or dividends are recognised when it is probable that the economic benefits from a given transaction will flow to the entity and the amount of revenue can be determined reliably. Interest and commissions are recognised through the income statement according to the classification of the financial instrument to which they refer,

whereas dividends are recognised when shareholders become entitled to receive payment. Other commissions are recorded on an accrual basis.
Costs are recognised when they are incurred by following the principle of the correlation of costs and revenue that arise directly and jointly from the same transactions or events. If costs and revenue may only be correlated generically and indirectly, the costs are recognised over multiple periods according to a systematic allocation approach. When costs may not be associated with revenue, they are immediately recognised through the income statement.

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

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

Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments founded upon the use of all available information and past experience.

Determining the fair value of financial instruments
The introduction of IFRS 13 modified the definition of fair value with respect to that provided in IAS 39, taking a more market-based approach.
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) on the primary market (or the most advantageous market), regardless of whether that price is directly observable or estimated through a valuation technique. Fair value is applied individually to all financial assets or financial liabilities. Exceptionally, it may be estimated at the portfolio level if the management and risk monitoring strategy so allow and are adequately documented.
For the details of measurement techniques (on a recurring and non-recurring) basis for the fair value of financial instruments, as well as the classification of such instruments in fair value hierarchy levels, refer to section A.4 of the notes.

Determining amortised cost
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and less any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or until the repricing date. To calculate present value, the effective interest rate is applied to the future cash payments or receipts over the entire useful life of the financial asset or financial liability – or a shorter period if certain conditions have been met (for example, the revision of market rates).
After initial recognition, amortised cost allows the revenues and costs deducted from or added to the instrument to be allocated over that instrument's entire expected life through the amortisation process. Amortised cost is determined differently depending on whether the financial asset or financial liability to be measured is fixed-rate or floating-rate and, in the latter case, whether the range of rate fluctuation is known in advance. For instruments with fixed rates or fixed rates by time bands, future cash flows are quantified according to the known interest rate (single or floating) over the life of the loan. For floating-rate financial assets or financial liabilities, the range of fluctuation of which is not known in advance (for example, because it is linked to an index), cash flows are determined according to the most recent known rate. Whenever the rate is revised, the repayment schedule and effective interest rate are recalculated over the entire useful life of the instrument, i.e. through its maturity date. The adjustment is recognised as income or expense in the income statement.

Loans, financial assets held to maturity, amounts due to customers and banks and debt securities issued are measured at amortised cost.
Financial assets and financial liabilities traded at arm's length conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid, including directly attributable transaction costs and commissions in the case of instruments measured at amortised cost.
Transaction costs are internal or external marginal costs and income attributable to the issuance, acquisition or disposal of a financial instrument that may not be charged back to the customer. Such commissions, which must be directly attributable to the individual financial asset or financial liability concerned, affect the original effective return and result in a difference between the effective interest rate associated with the transaction and the contractual interest rate. Transaction costs do not include costs/income associated with more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as commissions for retrocession, non-use or early redemption.
Hedged financial assets and financial liabilities are not measured at amortised cost. Rather, changes in fair value associated with the hedged risk are recognised in the income statement (as limited to the hedged risk). However, measurement of such financial instruments at amortised cost resumes if the hedge ceases to exist, at which time all previously recognised changes in fair value are amortised, calculating a new effective interest rate that contemplates the value of the loan, adjusted for the fair value of the hedged portion, through the originally expected maturity of the hedge. In addition, as discussed above in the section concerning the measurement of loans, amounts due to banks and customers and debt securities issued, measurement at amortised cost does not apply either to financial assets and financial liabilities whose brief duration leads to the belief that the economic effect of discounting would be negligible, or to loans without a fixed maturity date and demand loans.

Determining impairment losses
At each reporting date, financial assets not classified as financial assets held for trading and financial assets designated at fair value are tested for impairment in order to determine whether there is objective evidence that the carrying amount of the assets may not be fully recoverable.
An asset has become impaired if there is objective evidence of a reduction in future cash flows compared to original estimates as a result of specific events. The loss must be able to be determined reliably and must be correlated with actual and not merely expected events.
Impairment testing is conducted on a separate basis for financial assets that present specific evidence of impairment losses and on a collective basis for financial assets for which separate testing is not required or for which separate testing does not indicate that impairment had occurred. Collective testing is based on grouping financial assets into homogeneous risk classes in reference to the characteristics of the debtor/issuer, business sector, geographical area, collateral and other relevant factors.
For information regarding loans to customers and loans to banks, the reader is referred to the section concerning loans.
The impairment testing process for available-for-sale assets involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses.
Impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore of a qualitative nature, and, for equities, external indicators of a quantitative nature deriving from the market values of the company.
The following are factors considered relevant in the first category of indicators: the reporting of a net loss or a significant divergence from budget targets or targets set in long-term plans disclosed to the market, the announcement or commencement of bankruptcy procedures or restructuring plans and downgrading by a rating agency by more than two classes. In the second category, a significant or extended reduction in fair value below the amount at initial recognition is relevant. In further detail, a reduction in fair value is considered significant if it amounts to more than 30% and extended if it persists for a consecutive period of more than 24 months. If one of the above thresholds has been exceeded, an impairment loss is recognised on the security. If neither of the above thresholds has been exceeded, but there are other indicators of impairment, the impairment loss must also be corroborated by the results of specific analyses of the security and the investment.
The amount of an impairment loss is determined in reference to the fair value of the financial asset.
For information concerning the methods used to determine fair value, the reader is referred to the relevant section.

Chapter A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

In 2013, the Bank did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39. The following table presents the disclosure of the residual carrying amounts of assets reclassified in previous years at 31 December 2013, the fair values of those assets, the income components registered during the period and the effects on the income statement that would have occurred if the assets had not been transferred.

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2013	Fair value at 31.12.2013	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Units in collective investment undertakings*	HFT	AFS	-	-	-	-	-	-
Debt securities	HFT	LOANS	3.777	3.777	-	3	-	3
Total			**3.777**	**3.777**	**-**	**3**	**-**	**3**

Chapter A.4 – INFORMATION ABOUT FAIR VALUE

QUALITATIVE DISCLOSURES

This section includes a disclosure regarding the method of determining fair value adopted by the Banca Popolare di Cividale Banking Group through the approval of a specific policy, as well as of the methods of classifying instruments designated at fair value (on a recurring and non-recurring basis) within the fair-value hierarchy in accordance with IFRS 13.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) on the primary market (or the most advantageous market), regardless of whether that price is directly observable or estimated through a valuation technique.

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

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

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

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

The definition of an "active market" is based on the indications provided in IAS 39 AG71, which states that an instrument is quoted on an active market if its prices are:

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

IAS 39 does not provide an exact definition of an "active market" and does not explain how it is to be determined that a market is active. The following interpretations that we have prepared are thus plausible:

- quoted: the quoting process must meet the condition of effective exchange on the markets;
- promptly and regularly available for exchange between dealers, brokers, industrial groups, pricing services and regulatory agencies: the frequency and updating of prices must be defined on the basis of the individual type of financial instrument;
- representative of current, recurring market transactions under normal conditions: the price must be defined under normal transaction conditions (excluding, for example, compulsory liquidation); to this end, it may be useful to consider parameters such as:
  - the frequency and volumes of daily trading;
  - the bid-ask spread;
  - volatility;

- o the number of transaction participants: the number must be such that an individual operator does not have a significant impact on the instrument's price;
- o the volume of individual trades executed;
- o the frequency of quotations;
- o the location of the market;
- o the existence of futures/forward markets for contracts;
- o settlement conditions; and
- o market quality.

It is also helpful to consider the following when determining whether a market is active:

- ➢ the definition of an "active market" is a process that is developed internally by each entity in accordance with the indications provided in IFRSs and its own internal policies.
- ➢ The various markets and different instrument types must be analysed separately;
- ➢ The presence of brokers and trading systems, and each entity's ability to interface with such brokers and systems, must be considered for each market;
- ➢ The analysis must consider all activities performed on the market;
- ➢ The time required to close a transaction must also be considered;
- ➢ The data employed must be credible and verifiable.

On the basis of the foregoing considerations, the Bank has developed a framework for identifying active markets specific to the various types of financial instruments.
In addition, the Bank uses the bid prices of assets and the ask prices of liabilities as the fair values of financial instruments quoted on active markets.

Bonds and securitisations
A market is considered active in the following three cases, presented in hierarchical order:

4. Listing on the MOT, EUROMOT, MTS, EUROMTS, TLX, or EUROTLX circuits;
5. The info-provider Bloomberg quotes CBBT prices (executable prices):
- o there must be at least three bid and ask contributors;
- o the prices of fixed-rate securities may not remain the same for more than three days; and
- o the prices of floating-rate securities may not remain the same for more than 20 days.
6. Executable prices are quoted on alternative platforms (e.g. Markit):
- o there must be at least three bid and ask contributors for bonds and convertible bonds and at least five contributors for securitisations;
- o the prices of fixed-rate securities may not remain the same for more than three days; and
- o the prices of floating-rate securities may not remain the same for more than 20 days.

Equities
The official market or the exchange on which a security is quoted is considered an active market.

CIUs, hedge funds, ETFs and ETCs
The exchange of listing on which the prices of ETFs and ETCs are published are considered an active market.

Quoted derivatives
The exchange of quotation is considered an active market.
Spot exchange transactions are also considered quoted on an active market.
For the purposes of disclosure of financial instruments designated at fair value, the above fair-value hierarchy is for allocation to accounting portfolios in accordance with fair-value levels.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used
Financial instruments measured at fair value on a recurring basis
If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a valuation technique (mark-to-model), by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties under balanced bargaining conditions.
If this valuation technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.

More specifically, with respect to the adoption of a valuation model (mark-to-model), in order for an instrument to be classified to level 2, all model input data that have a substantive effect on the overall measurement of the instrument must be able to be obtained or derived from the market and represent all risk factors that affect the valuation of the instrument concerned (interest rates, exchange rates, credit spreads, market volatility, etc.). Input data may refer to the instrument concerned or, where such data is unavailable, to instruments deemed comparable (under the comparable approach). For certain instrument types (e.g. shares), the comparable approach also includes recent relevant transactions involving the instrument or similar products.
On the other hand, where the instrument is not quoted, or is quoted on a market not considered active, and the adoption of a valuation model (mark-to-model) is thus required, the instrument is classified to fair value level 3 if at least one of the model inputs (with a material impact on the instrument's overall valuation) may not be obtained or derived from the market, but rather must be estimated by the valuer (e.g., application of methods for estimating projected future cash flow, repayment schedules or correlations between underlying for options or structured products).

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

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

A.4.2 Valuation processes and sensitivity
In cases of recurring fair value measurement of assets classified to level 3 of the fair value hierarchy, IFRS 13 requires that a narrative description be provided of the sensitivity of the fair value measurement to changes in unobservable inputs, where a change in such inputs entails a significantly higher or lower fair value measurement.
In this regard, it bears noting that this did not occur for some of the L3 financial instruments classified to the AFS portfolio. Unobservable inputs capable of influencing the measurement of instruments classified as level 3 primarily consist of estimates and assumptions underlying the models used to measure investments in equities and CIUs. For such investments, no quantitative analysis of the sensitivity of fair value to changes in unobservable inputs was conducted inasmuch as fair value is the result of a model the inputs for which are specific to the entity being measured (for example, asset and liability values of companies for which it is not reasonable to envisage alternative values).

A.4.3 Fair-value hierarchy
Building on IFRS 7, IFRS 13 requires that entities that apply international accounting standards in the preparation of their financial statements provide adequate disclosure of the fair value measurements used for each class of financial instruments, and in further detail:
1) the level of the fair value hierarchy to which the measurements belong, separating instruments belonging to different categories;
2) significant transfers from level 1 to level 2 during the year;
3) for instruments measured at level 3, a reconciliation of opening and closing balances with an indication of changes due to profits and losses (in the income statement or equity), purchases and sales and transfers out of the category L3 due to the use of market data.

In this regard, it bears remarking that transfers between levels are undertaken with regard to the value at the end of the reporting period of reference (semi-annual or annual) and in an independent manner, and generally enter into effect at the beginning of the year concerned.
Transfers to and from L3 are infrequent and primarily relate to the occurrence of situations of default, in which the Bank's subjective assessment of the recoverability of the position takes on primary importance.

A.4.4 Other information

The circumstances envisaged in IFRS 13 §§ 51, 93 (i) and 96 do not apply.

QUANTITATIVE DISCLOSURES

A.4.5 Fair-value hierarchy

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

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	31.12.2013			31.12.2012		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	18	2.623	-	-	4.706	-
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	1.376.716	20.250	75.148	1.267.852	26.170	44.030
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1.376.735**	**22.873**	**75.148**	**1.267.852**	**30.876**	**44.030**
1. Financial liabilities held for trading	-	965	-	-	46	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	2.915	-
Total	**-**	**965**	**-**	**-**	**2.961**	**-**

Key: BV= Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

A.4.5.2 Annual changes in financial assets designated at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	l at fair value through pı	Available for sale	For hedging purposes
1. Opening balance	**-**	**-**	**44.030**	**-**
2. Increasese	**-**	**-**	**41.872**	**-**
2.1. Purchases	-	-	12.851	-
2.2. Gains recognised in:	-	-	-	-
2.2.1.Income statement	-	-	2	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' equity	X	X	2.323	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	26.696	-
3. Decreases	**-**	**-**	**10.754**	**-**
3.1. Sales	-	-	89	-
3.2. Redemptions	-	-	-	-
3.3 Losses recognized in:	-	-	-	-
3.3.1. Income statement	-	-	8.450	-
- of which capital losses	-	-	-	-
3.3.2. Shareholders' equity	X	X	1.670	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	545	-
4. Closing balance	**-**	**-**	**75.148**	**-**

A.4.5.3 Annual changes in financial liabilities designated at fair value (level 3)

None of the items in the table, provided for by the Bank of Italy, A.4.5.3 "Annual changes in financial assets designated at fair value (level 3)" present values.

A.4.5.4 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	31/12/2013					
	BV	L1	L2	L3	BV	FV
1. Financial assets held to maturity	105.413	105.413	-	-	104.107	104.107
2. Due from banks	162.912	-	33.870	128.988	700.617	700.681
3. Loans to customers	3.082.164	-	-	3.082.164	756.951	758.662
4. Investment property	-	-	-	-	-	-
5. Non-current assets or groups of assets being divested	-	-	-	-	-	-
Total	**3.350.489**	**105.413**	**33.870**	**3.211.152**	**1.561.675**	**1.563.450**
1. Due to banks	997.922	-	-	997.922	910.448	910.448
2. Due to customers	2.958.519	-	-	2.957.656	1.186.802	1.186.051
3. Securities issued	730.284	-	650.295	79.989	714.224	714.224
4. Liabilities associated to assets being divested	-	-	-	-	-	-
Total	**4.686.725**	**-**	**650.295**	**4.035.568**	**2.811.474**	**2.810.723**

Key: BV= Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

The composition by fair value level is not provided for 2012 inasmuch as the disclosure is not required by IFRS 13, which entered into effect in 2013 and is applicable prospectively.

A.5 Day-one profit/loss

On the basis of the composition of the financial instruments portfolio and the results of the analyses performed, no day-one profits were identified. “Day-one profit” is defined as the difference, upon initial recognition, not immediately recognised in the income statement pursuant to IAS 39 AG 76 and AG 76A, between the transaction price and value obtained through the use of valuation techniques that make use of non-market inputs.

Chapter B – NOTES TO THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - item 10

	31/12/2013	31/12/2012	%
a) Cash	20.020	-	-
b) Free deposits w ith central banks	-	-	-
Total	**20.020**	**-**	**-**

Section 2 - Financial assets held for trading - item 20

2.1 Financial assets held for trading: composition by type

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
A. Cash assets							
1. Debt securities	1	2.623	-	-	4.706	-	-44,2%
1.1 structured securities	-	-	-	-	-	-	-
1.2 other debt securities	1	2.623	-	-	4.706	-	-44,2%
2. Equities	17	-	-	-	-	-	100,0%
3. Quotas of UCI	-	-	-	-	-	-	0,0%
4. Loans	-	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-
Total A	**18**	**2.623**	**-**	**-**	**4.706**	**-**	**-**
B. Derivatives							
1. Financial derivatives	-	871	-	-	55	-	1495,4%
1.1 trading	-	871	-	-	55	-	1495,4%
1.2 fair value option	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total	**-**	**871**	**-**	**-**	**55**	**-**	**1495,4%**
TOTAL (A+B)	**18**	**3.494**	**-**	**-**	**4.761**	**-**	**-26,2%**

2.2 Financial assets held for trading: composition by borrower/issuer

	31/12/2013	31/12/2012	%
A. ON-BALANCE-SHEET FINANCIAL ASSETS			
1. Debt securities	**2.624**	**4.706**	-44,2%
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	377	4.706	-92,0%
d) Other issuers	2.247	-	100,0%
2. Equity securities	**18**	**-**	**100,0%**
a) Banks	-	-	-
b) Other issuers	18	-	100,0%
- insurance undertakings	-	-	-
- financial companies	-	-	-
- non-financial companies	18	-	100,0%
- other	-	-	-
3. Units in collective investment underta	**-**	**-**	**-**
4. Loans	-	-	-
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total (A)	**2.642**	**4.706**	**-43,9%**
B. DERIVATIVES	**871**	**55**	**1495,2%**
a) Banks	155	54	189,8%
fair value	155	54	187,7%
b) Customers	715	1	72888,5%
fair value	715	1	71442,6%
Total (B)	871	**55**	1495,2%
Total (A + B)	**3.512**	**4.761**	**-26,2%**

2.3 Financial assets held for trading: annual change

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total 31/12/13
A. Opening balance	4.706	-	-	-	4.706
B. Increases	261.957	4.710	2.395	-	269.062
B1. Purchases	261.206	4.648	2.361	-	268.215
of w hich: business combinations	7.545	2	-	-	-
B2.Fair value gains	6	-	-	-	6
B3. Other changes	745	62	34	-	841
C. Decreases	264.039	4.692	2.395	-	271.126
C1. Sales	259.136	4.482	2.395	-	266.013
of w hich: business combinations	-	-	-	-	-
C2. Redemptions	4.203	-	-	-	4.203
C3. Fair value losses	468	-	-	-	468
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other changes	232	210	-	-	-
D. Closing balance	2.624	18	-	-	2.642

Section 3 - Financial assets designated at fair value - item 30

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 4 - Financial assets available for sale - item 40

4.1 Financial assets available for sale: composition by type

	31/12/2013			31/12/2012			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	1.376.435	20.250	-	1.267.852	19.930	-	8,5%
1.1 Structured securities	-	-	-	-	-	-	0,0%
1.2 Other debt securities	1.376.435	20.250	-	1.267.852	19.930	-	8,5%
2. Equities	254	-	58.608	-	-	44.030	33,7%
2.1 Measured at fair value	254	-	58.608	-	-	44.030	33,7%
2.2 Measured at cost	-	-	-	-	-	-	0,0%
3. Quotas of UCI	27	-	16.541	-	6.240	-	165,5%
4. Loans	-	-	-	-	-	-	0,0%
TOTAL	**1.376.716**	**20.250**	**75.148**	**1.267.852**	**26.170**	**44.030**	**10,0%**

The Bank does not hold equities quoted in active markets in its portfolio. It should be noted that, as illustrated above in Chapter A of these notes, unquoted equities the fair value of which may not be determined in a reliable or verifiable manner are carried at cost, adjusted to account for impairment losses. The following is a detailed list of equities.

Financial assets available for sale	% holding	Number of share or units	Nominal value	Book value
KB 1909 SPA	1,60%	185.430	603	578
SIA SPA	0,01%	15.179	8	8
UNIONE FIDUCIARIA SPA	0,10%	1.080	6	7
FRIULIA SPA	1,33%	3.661.737	3.662	10.233
PROMO CORMONS COLLIO SRL-IN LIQUIDAZIONE	8,08%	2	5	-
TORRE-NATISONE GAL SCARL	5,39%	2.392	1	1
C.A.T.A.S SPA	9,00%	9.031	90	319
BANK FOR BUSINESS	4,62%	1.318	520	233
DEZELNA BANKA DD	5,57%	210.511	878	2.905
CONFART.UD SERV.SRL	10,00%	288	150	150
C.F.P. CIVIDALE SRL	9,10%	410	21	21
MEDIO FRIULI ORD	2,45%	2.120.834	2121	4.142
ICBPI SPA	5,14%	729.577	2189	34.203
BCA VALSABBINA SCRL	0,29%	105.357	316	1.896
BANKADATI SERV. INF.	2,00%	10.000	50	70
CONSULTING SPA	1,32%	1.975	2	5
AGENZIA SVILUPPO DISTRETTO IND DELLA SEDIA SPA	1,00%	4	2	2
SIPI INVESTIMENTI SPA	2,97%	29.700	30	619
VIVABIOCELL SPA -B-	17,48%	147.801	148	314
FRIULI NEWS SPA	5,67%	5.660	6	13
CR FERRARA SPA	0,72%	303.432	1566	2.255
SWIFT	0,01%	8	1	6
CR BOLZANO ORD.	0,07%	3.000	231	630
BANCA ETRURIA SCRL	0,24%	496.420	1012	254
Total				**58.862**

4.2 Financial assets available for sale: composition by borrower/issuer

	31/12/2013	31/12/2012	%
1.Debt securities	**1.396.685**	**1.287.782**	**8,5%**
a) Governments and central banks	1.373.915	1.070.492	28,3%
b) Other governments agencies	100	-	100,0%
c) Banks	22.670	217.290	-89,6%
d) Other issuers	-	-	-
2. Equity securities	**58.861**	**44.030**	**33,7%**
a) Banks	46.517	42.708	8,9%
b) Other issuers	12.344	1.323	833,4%
- insurance undertakings	-	-	-
- financial companies	7	849	-99,2%
- non financial companies	12.337	474	2502,7%
- other	-	-	-
3. Units in collective investment u	**16.568**	**6.240**	**165,5%**
4. Loans	-	-	-
a) Governments and central banks	-	-	-
b) Other governments agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total	**1.472.114**	**1.338.052**	**10,0%**

4.4 Financial assets available for sale: annual change

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**1.287.782**	**44.030**	**6.240**	**-**	**1.338.052**
B. Increases	**4.151.090**	**25.086**	**12.373**	**-**	**4.188.549**
B1. Purchases	4.083.147	22.881	11.523	-	4.117.551
of which: business combinations	29.419	21.625	5.061	-	-
B2. Fair value gains	9.727	-	11	-	9.738
B3. Writebacks	-	1.483	839	-	2.322
- recognised through income statement	-	X	-	-	-
- recognised through equity	-	1.483	839	-	2.322
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	58.216	722	-	-	58.938
C. Decreases	**4.042.187**	**10.253**	**2.045**	**-**	**4.054.485**
C1. Sales	3.813.378	94	83	-	3.813.555
of which: business combinations	-	-	-	-	-
C2. Redemptions	192.879	-	-	-	192.879
C3. Fair value losses	803	-	473	-	1.276
C4. Writedowns for impairment	-	9.483	1.489	-	10.972
- recognised through income statement	-	7.813	1.489	-	9.302
- recognised through equity	-	1.670	-	-	1.670
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	35.127	676	-	-	35.803
D. Closing balance	**1.396.685**	**58.862**	**16.568**	**-**	**1.472.115**

Increases	1.252
Banca Etruria	1.106
Vivabiocell	146

Impairment testing of financial assets available for sale

As required by IFRSs, financial assets available for sale are tested for impairment to determine whether there is objective evidence that the carrying amounts of such assets may not be fully recoverable. The impairment testing process involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses. Impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for quoted equities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of €9,281 thousand.

Section 5 - Financial assets held to maturity - item 50

5.1 Financial assets held to maturity: composition by type

	31/12/2013				31/12/2012			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debt securities	-	-	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	105.413	105.413	-	-	104.107	104.107	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**105.413**	**105.413**	**-**	**-**	**104.107**	**104.107**	**-**	**-**

5.2 Financial assets held to maturity: borrowers/issuers

	31/12/2013	31/12/2012
1. Debt securities	105.413	104.107
a) Governments and central banks	88.921	87.608
b) Other government agencies	-	-
c) Banks	16.492	16.499
d) Other issuers	-	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other governments agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**105.413**	**104.107**
Total fair value	**105.413**	**104.107**

5.4 Financial assets held to maturity: annual change

	Debt securities	Loans	Total 31/12/2013
A. Opening balance	**104.107**	**-**	**104.107**
B. Increases	4.138	-	4.138
B1. Purchases	-	-	-
of which: business combinations	-	-	-
B2. Writebacks	-	-	-
B3. Transfers from other portfolios	-	-	-
B4. Other changes	4.138	-	4.138
C. Decreases	**2.832**	**-**	**2.832**
C1. Sales	-	-	-
of which: business combinations	-	-	-
C2. Redemptions	-	-	-
C3. Writedowns for impairment	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other changes	2.832	-	2.832
D. Closing balance	**105.413**	**-**	**105.413**

Item B4 “Other changes” represents the interest collected during the year. Item C5 refers to the portion of such interest recognised through the income statement.

Section 6 - Due from banks - item 60

6.1 Due from banks: composition by type

	31/12/2013				31/12/2012		%
	VB	FV			VB	FV	
		L1	L2	L3			
A. Claims on central banks	5.272	-	-	-	3.852	-	36,8%
1. Time deposits	-	X	X	X	-	X	-
2. Reserve requirement	5.272	X	X	X	3.852	X	36,8%
3. Repurchase agreements	-	X	X	X	-	X	-
4. Other	-	X	X	X	-	X	-
B. Due from banks	157.640	-	-	-	696.765	-	-77,4%
1. Loans	-	-	-	-	-	-	0,0%
1.1 Current accounts and free deposits	20.904	X	X	X	73.485	X	-71,6%
1.2 Time deposits	2.039	X	X	X	54.482	X	-96,3%
1.3 Other financing	100.774	X	X	X	296.123	X	-66,0%
- repurchase agreements	45.453	X	X	X	278.018	X	-83,7%
- finance leases	-	X	X	X	-	X	-
- other	55.320	X	X	X	18.105	X	205,6%
2. Debt securities	33.924	-	-	-	272.675	-	-87,6%
2.1 structured	-	X	X	X	-	X	-
2.2 other debt securities	33.924	X	X	X	272.675	X	-87,6%
Total (carrying amount)	**162.912**	**-**	**33.870**	**128.988**	**700.617**	**700.681**	**-76,7%**

The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Section 7 - Loans to customers - item 7

7.1 Loans to customers: composition by type

	31/12/2013						31/12/2012				%
	Book value			Fair value			Book value			Fair value	
	Performing	Non performing		L1	L2	L3	Performing	Non performing		FV	
		Purchased	Other					Purchased	Other		
Loans											
1. Current accounts	429.620	-	80.288	X	X	X	-	-	-	X	100,0%
2. Repurchase agreements	102.916	-	-	X	X	X	15.999	-	-	X	543,2%
3. Mortgage loans	1.890.322	-	200.662	X	X	X	598.420	-	16.317	X	240,1%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	45.259	-	1.704	X	X	X	-	-	-	X	100,0%
5. Finance leases	-	-	-	X	X	X	-	-	-	X	-
6. Factoring	-	-	-	X	X	X	-	-	-	X	-
7. Other	316.900	-	14.493	X	X	X	125.903	-	312	X	162,6%
Debt securities	-	-	-	X	X	X	-	-	-	X	-
8. structured	-	-	-	X	X	X	-	-	-	X	-
9 other debt securities	-	-	-	X	X	X	-	-	-	X	-
Total (carrying amount)	**2.785.017**	**-**	**297.147**			**3.142.834**	**740.322**	**-**	**16.629**	**758.662**	**307,18%**

The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

7.2 Loans to customers: composition by borrower/issuer

	31/12/2013			31/12/2012			%
	Performing	Non - performing		Performing	Non - performing		
		Purchased	Other		Purchased	Other	
1. Debt securities	**-**	**-**		**-**	**-**		**-**
a) Governments	-	-		-	-		-
b) Other government agencies	-	-		-	-		-
c) Other issuers	-	-		-	-		-
- non-financial companies	-	-		-	-		-
- financial companies	-	-		-	-		-
- insurance undertakings	-	-		-	-		-
- other	-	-		-	-		-
2. Loans to:	**2.785.017**	**-**		**740.322**	**-**		**276,2%**
a) Governments	24	-	0	-	-	-	100,0%
b) Other government agencies	7.657	-	-	-	-	-	100,0%
c) Other	-	-	-	740.322	-	16.629	-100,0%
- non-financial companies	1.353.817	-	231.211	28.546	-	4.002	4769,9%
- financial companies	533.504	-	6.194	414.957	-	-	30,1%
- insurance undertakings	13.292	-	-	1.018	-	-	1205,6%
- other	876.723	-	59.742	295.802	-	12.627	203,6%
Total	**2.785.017**	**-**	**297.147**	**740.322**	**-**	**16.629**	**307,18%**

7.3 Loans to customers: hedged assets (IAS 1/103.c; IAS 32/98.c; ED 7/24.c) (1)

	31/12/2013	31/12/2012	%
1. Loans with specific fair value hedges	-	2.619	-100,0%
a) interest rate risk	-	2.619	-100,0%
b) exchange rate risk	-	-	-
c) credit risk	-	-	-
d) multiple risks	-	-	-
2. Loans with specific cash flow hedges	-	-	-
a) interest rate risk	-	-	-
b) exchange rate risk	-	-	-
c) other	-	-	-
Total	**-**	**2.619**	**-100,00%**

Section 8 - Hedging derivatives - item 80

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 9 - Change in fair value of macro fair value hedge portfolios - item 90

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 10 - Equity investments - item 100

10.1 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: information on investments

	Registered office	% holding	% of votes
A. Companies under joint control			
2 Civileasing Srl	Udine	100,00%	100,00%
3 Tabogan Srl	Cividale del Friuli	100,00%	100,00%
B. Subject to joint control			
C. Companies under significant influence			
1 Acileasing S.p.A.	Udine	30,00%	30,00%
2 Acrent S.p.A.	Udine	30,00%	30,00%
3 Itas Assicurazioni Spa	Trento	25,00%	25,00%
4 Help Line	San Giovanni al Natisone (UD)	30,01%	30,01%

10.2 Equity investments in joint ventures and companies subject to significant influence: accounting figures

	Total assets	Total revenues	Net income (loss)	Shareholders' equity	Consolidated carrying amount	Fair value L1	Fair value L2	Fair value L3
A. Companies under exclusive control								
1 Civileasing Spa	332.517	9.014	(1.590)	28.994	30.018	X	X	X
2 Tabogan Srl *	19.977	507	(2.941)	223	223	X	X	X
B. Companies subject to joint control								
C. Companies under significant influence								
1 Acileasing S.p.A. **	39.221	16.115	77	3.469	1.177	-	-	1.177
2 Acirent S.p.A. **	3.448	2.955	54	1.235	548	-	-	548
3 Help Line S.p.a.	24.309	7	701	7.751	2.553	-	-	2.553
4 Itas Assicurazioni Spa **	16.072	625	(358)	6.043	2.199	-	-	2.199
Total	352.494	9.521	(4.531)	29.217	36.718			6.476

**Financial statements at 30/11/2013 ** Financial statements at 30/06/2013*

The shareholders' equity and net income or loss of fully owned subsidiaries have been drawn from the 2013 financial statements approved by the respective general meetings of the shareholders, or where such financial statements were unavailable, from the draft financial statements approved by the respective boards of directors.

10.3 Equity investments: annual change

	31/12/2013	31/12/2012
A. Opening balance	**204.554**	**207.511**
B. Increases	**76.884**	**729**
B.1 Purchases	73.722	729
of which business combinations	73.722	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	3.162	-
C. Decreases	**244.720**	**3.686**
C.1 Sales	-	61
C.2 Writedowns	4.088	-
C.3 Other changes	240.632	3.625
of which business combinations	240.632	-
D. Closing balance	**36.718**	**204.554**
E. Total revaluations	-	-
F. Total writedowns	-	-

	Operation	amount
C.2 writedowns		**4.088**
Itas Spa	write-down	1.051
Tabogan Srl	write-down	3.037

10.4 Commitments regarding equity investments in subsidiaries

No commitments have been recognised in respect of direct subsidiaries, as shown in the list of equity investments provided in the foregoing table 10.1.

10.5 Commitments regarding equity investments in joint ventures

No commitments have been recognised in respect of equity investments in joint ventures, as shown in the list of equity investments provided in the foregoing table 10.1.

10.6 Commitments regarding investments in companies subject to significant influence

No commitments have been recognised in respect of companies subject to significant influence, as shown in the list of equity investments provided in the foregoing table 10.1.

Section 11 - Property, plant and equipment - item 110

11.1 Operating property, plant and equipment: composition of assets recognised at cost

	31/12/2013	31/12/2012	%
1. Property and equipment owned	**72.612**	**29.954**	**142,4%**
a) land	4.933	212	2227,0%
b) buildings	65.032	29.107	123,4%
c) movables	1.880	627	199,8%
d) electrical plant	4	1	273,0%
e) other	764	7	10814,3%
1. Property and equipment acquired under fir	**-**	**-**	**-**
a) land	-	-	-
b) buildings	-	-	-
c) movables	-	-	-
d) electrical plant	-	-	-
e) other	-	-	-
Total	**72.612**	**29.954**	**142,4%**

The following are the estimated useful lives of depreciable items of property, plant and equipment by asset class:
- land: indefinite;
- works of art: indefinite:
- buildings – 2% – 50 years;
- furniture – 12% – 9 years;
- plant – 15% – 7 years;
- plant – 30% – 4 years;
- plant – 7.5% – 14 years;
- fixtures – 15% – 7 years; and
- electronic machines – 20% – 5 years.

11.5 Operating property, plant and equipment: annual change

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	212	30.004	651	48	-	30.915
A.1 Total net writedowns	-	897	23	41	-	961
A.2 Opening net balance	212	29.107	628	7	-	29.954
B. Increases	4.721	48.171	8.423	11.630	32	72.977
B.1 Purchases	4.721	48.171	8.423	11.630	32	72.977
of which: business combinations	4.721	39.823	8.166	11.239	32	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	12.253	7.172	10.869	25	30.319
C.1 Sales	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	635	336	251	-	1.222
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	11.618	6.836	10.618	25	29.097
D. Closing net balance	4.933	65.025	1.879	768	7	72.612
D.1 Total net writedowns	-	13.150	7.195	10.910	25	31.280
D.2 Closing gross balance	4.933	78.175	9.074	11.678	32	103.892
E. Measurement at cost	-	-	-	-	-	-

11.5 Commitments to acquire property, plant and equipment
There were no significant commitments to acquire property, plant and commitment.

Section 12 - Intangible assets - item 120
12.1 Intangible assets: composition by category

	31/12/2013		31/12/2012		%
	finite useful life	indefinite useful life	finite useful life	indefinite useful life	
A.1 Goodwill	X	19.136	X	-	100,0%
A.2 Other intangible assets	-	-	-	-	-
A.2.1 Assets measured at cost	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	-	-	-	-	-
A.2.2 Assets measured at fair value	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	-	-	-	-	-
Total	-	19.136	-	-	100,0%

12.2 Intangible assets: annual change

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Fin.	Indef.	Fin.	Indef.	
A. Gross initial carrying amount	-	-	-	-	-	-
A.1 Total net adjustments	-	-	-	-	-	-
A.2 Net initial carrying amount	-	-	-	-	-	-
B. Increases	19.136	-	-	-	-	19.136
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	19.136	-	-	-	-	19.136
C. Decreases	-	-	-	-	-	-
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	X	-	-	-	-	-
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	X	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	19.136	-	-	-	-	19.136
D.1 Total net adjustments	-	-	-	-	-	-
E. Gross final carrying amount	**19.136**	-	-	-	-	**19.136**
F. Measurement at cost	-	-	-	-	-	-

Key: Fin: finite useful life; Indefin: indefinite useful life

Goodwill is related to:
1. the acquisition of the banking arm of the former Banca Agricola di Gorizia; and
2. the acquisition of a bank branch from third parties.

Impairment testing of goodwill
Goodwill is initially measured at cost, which derives from the amount by which the consideration paid exceeds the net assets and liabilities acquired. If the amount of consideration is less than the fair value of the acquiree’s net assets, the difference is recognised through the income statement.

After initial recognition, goodwill is measured at cost less any cumulative impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination must be allocated at the acquisition date to each cash-generating unit of the entity that is expected to benefit from the combination, irrespective of whether the acquiree's assets or liabilities are assigned to those units.
Goodwill is tested for impairment at least once a year (at 31 December) and more frequently where circumstances indicate that the carrying amount may have become impaired.

Allocation of goodwill to cash-generating units (CGUs)
With respect to the definition of "cash-generating unit (CGU)," it should first be noted that following the corporate reorganisation undertaken in 2013 the Group has identified its operating segments as coinciding with the individual legal entities that comprise the Group:

- ***Retail and Corporate and the Corporate Centre***, which includes Banca Popolare di Cividale S.c.p.A.; and
- ***Leasing***, which includes Civileasing S.p.A.

The cash-generating units associated with goodwill have been attributed to the operating segment coinciding with the legal entity Banca Popolare di Cividale, which represents the "smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets."

Estimating cash flows to determine the value in use of a CGU
The accounting principles of reference require that impairment testing be conducted by comparing the carrying amount and recoverable amount of each CGU. Where the recoverable amount is less than the carrying amount, an impairment loss must be recognised. The recoverable amount of a CGU is the greater of its fair value and value in use. The recoverable amount of the Bank's CGUs is represented by its value in use, determined on the basis of the future cash flows generated by each CGU to which goodwill has been allocated. Such cash flows have been estimated on the basis of:

- current macroeconomic scenarios;
- the Group's strategic plan for the period 2014-2016, currently pending approval by the Parent Company's Board of Directors;
- economic projections for the period 2017-2018; and
- developmental guidelines completing the company reorganisation process implemented in 2013.

Projections of future results have been extended through 2018 with the aim of obtaining an assessment of the Bank's income-generating capacity and the ability to create value over time, which is independent of the current macroeconomic scenario.
Value in use has been determined by the management, with the methodological support of an authoritative external expert, by applying Excess Capital variant of the Dividend Discount Model ("DDM"). This approach is used to determine the value of a company or business unit according to the dividend flows that it is estimated it may generate on a prospective basis, while maintaining a minimum capitalisation level consistent with the instructions provided in this regard by supervisory authorities and in a manner consistent with expected business trends.
This method is widely adopted in well established current valuation practice and is supported by the foremost academic theory regarding business valuation, particularly as regards entities operating in the banking sector.
The application of the Dividend Discount Model involved the use of expected profitability estimates and financial parameters to discount flows. In further detail, value in use was calculated on the basis of the following assumptions and elements:

- **cash flows:** an explicit period of 2014-2018, estimated on the basis of: *i)* the 2014-2016 Strategic Plan, currently pending approval by the Parent Company's Board of Directors; and *ii)* the minimum level of capitalisation (minimum capital) required to ensure bank business operations.
- **terminal value,** estimated as a function of: *i)* long-term expected net income; and *ii)* the sustainable growth rate, equal to long-term expected inflation;
- **minimum capital:** the target capitalisation requirement was assumed as a function of a tier 1 ratio of 8.5%, in line with the targets of major quoted Italian banks, in light of international practice. When determining capital requirements, the above ratio was applied to the prospective RWAs (risk-weighted assets) of the Banca Popolare di Cividale Group, estimated and based on capital requirements inclusive of the benefits provided for in supervisory regulations for banks belonging to banking groups, i.e. inclusive a reduction of capital absorption of 25%;

- **discounting rate (Ke)**: future cash flows have been discounted by using a cost of equity capital (Ke) determined as the sum of the nominal rate of return on risk-free assets and a specific risk premium that reflects the risk level of the industry of reference and the specific risks associated with the Bank's operations. In further detail, the cost of equity capital has been estimated as **9.21%** as the result of:
  - **R_f:** the rate of return on risk-free assets, identified on the basis of the gross annual return on the ten-year Italian benchmark BTP, twelve-month average surveyed on 22 February 2014 (source: Market Information Provider) at 4.11%;
  - **β:** the beta coefficient, which indicates the risk level of a specific equity with respect to the equity market at large, estimated on the basis of the beta values for a sample of comparable companies at 1.02;
  - **R_m - R_f:** the premium, or difference in return, requested by investors for an investment in equities rather than a risk-free investment; this premium was determined at 5.0%, in line with professional practice; and
  - **the g-rate:** the long-term growth rate expected to apply after the express forecasting period, corresponding to expected inflation in 2018 (source: EIU), equal to 2.0%.

Sensitivity analysis

Since valuation is rendered especially complex by the macroeconomic and market scenario currently affecting the financial sector as a whole, as well as by the ensuing difficulty in formulating projections concerning long-term future profitability, and in order to comply with the provisions of IAS 36, a sensitivity analysis was conducted of the parameters used in the assessment aimed at determining the change in recoverable amount, assuming a change in parameters used in the impairment testing procedure. In particular, that analysis was conducted as a function of a positive and negative change of 30 basis points in the Ke with respect to 9.21%.

An additional sensitivity analysis was conducted on the discounted rate used (Ke) to render the recoverable amount of the CGU equal to its carrying amount. The target cost of capital that results in the CGU's value in use and carrying amount being equal, is 11.30%.

The results of the impairment test

The impairment test, conducted in accordance with international accounting principles, as well as the indications contained in Bank of Italy/Consob/ISVAP Document No. 4 of 3 March 2010, did not indicate the need to proceed with the impairment of the goodwill carried as at 31 December 2013.

In addition, it should be emphasised that the parameters and information used to test recoverable amount (particularly the expected cash flows for the CGU identified, as well as the discounting rates applied) have been significantly influenced by the macroeconomic and market scenario, which could undergo abrupt changes currently not subject to prediction. The effect that such changes could have on the estimate of the CGU's cash flows, as well as on the main assumptions adopted, could thus yield results significantly different from those presented in these financial statements in the financial statements of future years.

Section 13 - Tax assets and tax liabilities - item 130 of assets and item 80 of liabilities

Deferred tax assets came to €51,830 thousand and may be broken down as follows:

13.1 Deferred tax assets: composition

	31/12/2013	31/12/2012
Tax effect on AFS reserve	468	432
staff costs	619	85
other	1.138	6
goodwill	437	-
loans	49.169	-
Total	**51.830**	**523**

13.2 Deferred tax liabilities: composition

Deferred tax liabilities came to €7,121 thousand and may be broken down as follows:

	31/12/2013	31/12/2012
Goodw ill	3.588	-
PPA	494	-
staff costs	13	-
Tax effect on AFS	2.997	8.190
Other	29	-
Totale	**7.121**	**8.190**

13.3 Changes in deferred tax assets (through the income statement)

	31/12/2013	31/12/2012
1. Opening balance	91	132
2.Increases	55.997	91
2.1 Deferred tax assets recognised during the year	29.959	91
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	29.959	91
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	26.038	-
3. Decreases	4.726	132
3.1 Deferred tax assets derecognised during the year	3.789	132
a) reversals	3.789	132
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other		
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) conversion in tax assets set forth in Italian Law 214/2011	937	-
b) other	-	-
4.Closing balance	51.362	91

13.3.1 Changes in deferred tax assets pursuant to Law 214/2011 (through the income statement)

	31/12/2013	31/12/2012
1. Opening balance	**-**	**-**
2.Increases	12.512	-
of which: business combination	12.512	-
3. Decreases	(937)	-
3.1 Reversals	-	-
3.2 Transformation into tax credits	(937)	-
a) from losses for the year	(937)	-
b) from fiscal losses	-	-
3.3 Other decreases	-	-
4.Closing balance	**11.575**	**-**

13.4 Changes in deferred tax liabilities (through the income statement)

	31/12/2013	31/12/2012
1.Opening balance	-	-
2. Increases	4.293	-
2.1 Deferred tax liabilities recognised during the year	1.205	-
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	1.205	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3.088	-
3. Decreases	182	-
3.1 Deferred tax liabilities derecognised during the year	182	-
a) reversals	182	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	4.111	-

13.5 Changes in deferred tax assets (through equity)

	31/12/2013	31/12/2012
1.Opening balance	432	5.409
2. Increases	467	432
2.1 Deferred tax assets recognised during the year	-	432
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	-	432
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	467	-
3. Decreases	432	5.409
3.1 Deferred tax assets derecognised during the year	-	-
a) reversals	432	5.409
b) w ritedow ns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4.Closing balance	468	432

13.6 Changes in deferred tax liabilities (through equity)

	31/12/2013	31/12/2012
1.Opening balance	8.190	650
2. Increases	3.011	8.190
2.1 Deferred tax liabilities recognised during the ye	3.011	8.190
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	3.011	8.190
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	8.190	650
3.1 Deferred tax liabilities derecognised during the	-	-
a) reversals	8.190	650
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	3.010	8.190

13.7 Other information

Tax treatment of impairment and other losses on loans

Law No. 147 of 27 December 2013 (the 2014 Stability Act) significantly modified the rules governing the deductibility of impairment and other losses on loans for the purposes of both corporate income tax and regional production tax.

The changes primarily affect banks, insurers and financial institutions, whereas companies at large that do not prepare their financial statements in accordance with IASs are affected by the application of the requirements of the certainty and precision of losses in cases of the derecognition of loans.

In further detail, paragraphs 158 and 159 allow entities operating in the banking, finance and insurance sectors, effective the tax period in progress at 31 December 2013, to include in their taxable base for the purposes of regional production tax net impairment losses and recoveries on loans during the year in which they are recognised and the following four years. The positive effect comes to approximately €5,160 thousand, of which €1,032 thousand in terms of lesser current regional production tax paid due to the immediate deductibility of one-fifth of net impairment losses on loans, and €4,128 thousand in terms of the recognition of greater deferred tax assets on the remaining four-fifths.

Paragraphs 160 and 161 modify the rules governing the deductibility of impairment and other losses on recognised loans, with a particular impact on the rules applicable to lenders and financial institutions. Impairment losses on loans may now be deducted on a straight-line basis over a period of five years: the first fifth is deducted during the year in which the impairment loss is recognised, while the remaining four-fifths are deducted in the following four tax periods. Loan losses are also deductible according to the same conditions, with the exception of losses on loans realised upon disposal for consideration, which are deductible in full during the year in which they are recognised. Impairment and other losses on loans deductible in fifths are considered net of recoveries on recognised loans. This change does not have direct effects on the income statement.

Transformation of deferred tax assets into tax credits
Article 2 of Law Decree No. 225 of 29 December 2010 (the "Thousand Extensions Decree"), enacted, with amendments, as Law No. 10 of 26 February 2011, allows deferred tax assets recognised in connection with impairment losses on loans by banks and financial companies, goodwill and other intangible assets to be transformed into tax credits in certain situations. The provision was most recently amended by Law No. 147 of 27 December 2013 (the 2014 Stability Act), which extended the rules to include deferred tax assets (DTAs), in connection with the same items as above, recognised with respect to regional production tax, as well as the losses on loans of banks and financial companies, considering that the tax treatment of such losses was also modified by the Stability Act, to bring it into line with that of impairment losses, as illustrated above.
In extremely short form, the rules that allow the transformation of deferred tax assets state that:

- DTAs are transformed into tax credits upon the occurrence of operating losses presented in the separate financial statements. The transformation applies to an amount corresponding to the share of the loss for the year, corresponding to the relationship between DTAs and the sum of share capital and reserves;
- any share of such DTAs that contributes to the formation of a tax loss for the purposes of corporate income tax or a negative value of production for the purposes of regional production tax is converted into a tax credit, with the concurrent de-activation of the recoverability limits envisaged for tax losses;
- tax credits go not generate interest. They may be used, without limits of amount, for offsetting against other tax payables (including those deriving from withholding agent activity) and social-security payables by a single bank or corporate tax consolidation programme. Such tax credits may also be transferred at nominal value according to the procedure governed by Art. 43-*ter* of Presidential Decree No. 602/1973 and may be submitted for a refund of the remainder after offsetting.

In this regard, due to the losses recognised in the 2012 financial statements of the merged companies Banca di Cividale S.p.A. and Nordest Banca S.p.A., in 2013 the Bank converted DTAs into tax credits of €937 thousand.

Corporate income surtax of 8.5%
Article 2, paragraphs 2 and 3, of Law Decree No. 133 of 30 November 2013, converted by Law No. 5 of 29 January 2014, established a corporate income surtax of 8.5% applicable to lenders and financial institutions governed by Legislative Decree No. 87 of 27 January 1992, the Bank of Italy and companies and entities that conduct insurance business. The surtax applies in a limited manner to the tax period in progress at 31 December 2013. In particular, paragraph 3 lays down specific provisions for entities participating in optional tax consolidation programmes, which are required to subject their taxable income to the surtax and make payment of the tax due independently, effectively changing the rules previously applicable to shell companies and companies operating in the energy sector to which the "Robin Tax" applies. The surtax is not due on increases due to the application of Article 106, paragraph 3, of income taxes, pursuant to the Decree of the President of the Republic No. 917 of 22 December 1986, as amended by the 2014 Stability Act, or the four-fifths of impairment and other loan losses subject to taxation. The statute did not yield any effects in terms of greater current taxes.

Probability test on deferred taxes
IAS 12 requires that deferred tax assets and liabilities be recognised according to the following criteria:

- taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
- deductible temporary differences: a deferred tax asset is to be recognised for all deductible temporary differences if it is probable that sufficient taxable income will be earned in order to use the deductible temporary difference. Deferred tax assets not recognised in a given year – inasmuch as the conditions for their recognition had not been satisfied – are to be recognised in the year in which those requirements are met.

Accordingly, the amount of the deferred tax assets recognised must be tested each year in order to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.
For the 2013 financial statements, as in previous years, an analysis has been conducted with the aim of verifying whether projections of future profitability are sufficient to ensure the re-absorption of deferred tax

assets and therefore justify their recognition and retention in the financial statements (a process known as the "probability test").
In conducting the probability test on the deferred tax assets recognised in the Group's financial statements at 31 December 2013, as for the 2012 financial statements, deferred tax assets deriving from deductible temporary differences were considered separately. In this regard, it is relevant that effective the tax period ended 31 December 2011 the law permits the conversion into tax credits of deferred tax assets recognised in financial statements to account for tax losses arising from the deferred deduction of qualified temporary differences (Article 2, paragraph 56-*bis*, of Law Decree No. 225/2010, introduced by Article 9 of Law Decree No. 201/2011, converted into Law No. 214/2011), in addition to that already provided for where the separate financial statements present a loss (Article 2, paragraphs 55 and 56, of Law Decree No. 225/2010). Such convertibility has introduced an additional, supplementary method of recovery that is appropriate to ensuring the recovery of qualified deferred tax assets in all situations, regardless of an enterprise's future profitability. In fact, if qualified temporary differences exceed taxable income in a given year, the recovery of deferred tax assets does not take the form of a reduction of current taxes, but rather of the recognition of deferred tax assets on the tax loss, convertible into tax credits pursuant to Article 2, paragraph 56-*bis*, of Law Decree No. 225/2010.
The convertibility of deferred tax assets on tax losses resulting from qualified temporary differences is therefore a sufficient condition for the recognition of deferred tax assets in the financial statements, thereby ensuring that the associated probability test is implicitly passed.
This arrangement is also borne out in the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued in the framework of the IAS/IFRS Application Coordination Board) concerning the *Accounting Treatment of Deferred Tax Assets Deriving from Law 214/2011* and in the subsequent Italian Banking Association IAS document no. 112 of 31 May 2012 (*Tax Credits Deriving from the Transformation of Deferred Tax Assets: Clarification from the Bank of Italy, Consob and ISVAP Regarding the Application of IAS/IFRS*).
On this basis, the test consisted of the following steps in particular:

a) identifying deferred tax assets other than those associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives ("non-qualified deferred tax assets") recognised in the consolidated financial statements; b) analysing such non-qualified deferred tax assets and the deferred tax assets recognised in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable timing of recovery; and
b) forecasting the Company's future profitability with the aim of verifying the ability to absorb the deferred tax assets set forth in point a) above.

The test conducted indicated that taxable income was sufficient and able to absorb the deferred tax assets recognised in the financial statements at 31 December 2013.

Section 14 - Non-current assets held for sale and discontinued operations and associated liabilities - item 140 of assets and item 90 of liabilities

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 15 - Other assets - item 150

15.1 Other assets: composition

	31/12/2013	31/12/2012	%
Amounts due from the tax authorities	805	-	100,0%
Ammounts due from the tax authorities for withholdings on interest paid to customers and other amounts due	6.421	-	100,0%
Cheques drawn on the bank to be settled	4.721	-	100,0%
Counterparts for securities ad coupon payments to be received	132	-	100,0%
Soundry items to be debited to customers and banks	604	-	100,0%
Value date differences on portfolio transactions	-	-	0,0%
Costs and advances pending financial allocation	70	-	100,0%
Transit items	203	-	100,0%
Items finalized but not allocable to other items	17.518	7.113	146,3%
Amounts related to payment for the supply of goods and services	17	-	100,0%
Other	37	-	100,0%
Total	**30.527**	**7.113**	**329,2%**

The various items include:

- the share of loans on third-party funds, the risk associated with which is not borne by the Bank, in the amount of €6,699 thousand;
- Cartasi fees of €2,200 thousand; and
- order receipt commissions of €1,010 thousand.

LIABILITIES

Section 1 - Due to banks - item 10

Due to banks: composition by type

	31/12/2013	31/12/2012	%
1, Due to central banks	851.281	624.877	36,2%
2, Due to banks	-	285.571	-100,0%
2,1 Current accounts and demand deposits	66.655	81.286	-18,0%
2,2 Time deposits	520	140.186	-99,6%
2,3 Borrow ings	-	64.099	-100,0%
2,3,1 Repurchase agreements	-	4.502	-100,0%
2,3,2 other	79.380	59.597	33,2%
2,4 Liabilities in respect of commitments to repurchase ow n equity	-	-	-
2,5 Other payables	87	-	100,0%
Total	**997.922**	**910.448**	9,6%
Fair value L1	-	-	0,0%
Fair value L2	-	-	0,0%
Fair value L3	**997.922**	-	0,0%
Fair value	**997.922**	**910.448**	9,6%

(*) At 31 December 2012, the fair value of amounts due to banks was €910,448 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Section 2 - Due to customers - item 20

	31/12/2013	31/12/2012	%
1. Current accounts and demand deposits	1.378.360	-	100,0%
2. Time deposits	282.466	-	100,0%
3. Borrow ings	-	1.186.802	-100,0%
3.1 Repurchase agreements	1.257.498	1.120.988	12,2%
3.2 Other	631	65.814	-99,0%
4. Liabilities in respect of commitments to repurchase ow n equity	-	-	-
5. Other payables	39.564	-	100,0%
Total	**2.958.519**	**1.186.802**	149,3%
Fair value L1	-	-	0,0%
Fair value L2	-	-	0,0%
Fair value L3	**2.957.656**	-	0,0%
Fair value	**2.957.888**	**1.186.051**	149,4%

(*) At 31 December 2012, the fair value of amounts due to customers was €1,186,051 thousand. The composition by fair value level is not provided for 2012 inasmuch as the disclosure was not required by the accounting standard previously in force. IFRS 13, which applies from 2013, does not require the restatement of information for the comparative period.

Section 3 - Debt securities issued - item 30

3.1 Debt securities issued: composition by type

	31/12/2013				31/12/2012				
	Book value	Fair value			Book value	Fair value			
		L1	L2	L3		L1	L2	L3	%
A. Securities									
1. Bonds	650.295	-	650.295	-	714.224	-	714.224	-	-9,0%
1.1 structured	14.936	-	14.936	-	40	-	40	-	37242,2%
1.2 other	635.358	-	635.358	-	714.184	-	714.184	-	-11,0%
2. Other	79.989	-	-	79.989	-	-	-	-	100,0%
2.1 structured	-	-	-	-	-	-	-	-	100,0%
2.2 other	79.989	-	-	79.989	-	-	-	-	100,0%
Total	**730.284**	**-**	**650.295**	**79.989**	**714.224**	**-**	**714.224**	**-**	**2,2%**

Key: BV = book value; FV = fair value

3.2 Breakdown of item 30 "Debt securities issued": subordinated securities

The amount included under "Debt securities issued" came to €61.8 million. The item refers to the following bond issues:

a) Subordinated bond with a nominal value of €15 million issued on 7 April 2008:

- interest rate: first coupon of 4.81% gross annual payable on 7 July 2009; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 7 April 2013, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal on the bond is to be repaid in five equal instalments of 20% of principal starting on 7 April 2014, with maturity on 7 April 2018;

- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month's notice;
- no provisions exist for conversion into share capital.

b) Subordinated bond with an original nominal value of €40 million issued on 13 August 2007:
- interest rate: first coupon of 4.6% gross annual payable on 13 November 2007; subsequent coupons for the first five years: monthly average three-month Euribor for the month prior to the due date of each coupon, plus a spread of 0.25%; for the next five years, i.e. starting from the coupon payable on 13 August 2012, interest will be equal to the same average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable in the seventh year; 0.55% for coupons payable in the eighth year; 0.65% for coupons payable in the ninth year; and 0.75% for coupons payable in the tenth year;
- amortisation schedule: principal is to be repaid in five equal instalments of 20% of principal starting on 13 August 2013;
- maturity: 13 August 2017;
- early redemption clause: the Bank reserves the right to redeem the bond early, provided that at least five years have elapsed since the date of issue, with the prior consent of the Bank of Italy, and with at least one month's notice;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.

c) Subordinated bond with a nominal value of €15 million issued on 10 December 2013:
- interest rate: half-yearly coupons equal to the six-month Euribor rate plus a spread of 430 bps;
- amortisation schedule: principal on the bond is to be redeemed in five equal instalments of 20% of principal starting on 10 December 2014;
- maturity: 10 December 2018;
- no early redemption clause has been provided for;
- subordination clause: if the Bank is wound up, the bonds shall only be repaid all other creditors not equally subordinated have been satisfied;
- no provisions exist for conversion into share capital.

3.3 Breakdown of item 30 "Debt securities issued": specifically hedged securities

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 4 - Financial liabilities held for trading - item 40

4.1 Financial liabilities held for trading: composition by type

	31/12/2013					31/12/2012					%
		FV					FV				
	VN	L1	L2	L3	FV*	VN	L1	L2	L3	FV*	
A. On-balance-sheet liabilities											
1. Due to banks	-	-	-	-	-		-	-	-	-	-
2. Due to customers	-	-	-	-	-		-	-	-	-	-
3. Debt securities	-	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-	-		-	-	-	-	-
3.1.1 structured	-	-	-	-	X		-	-	-	X	-
3.1.2 other bonds	-	-	-	-	X		-	-	-	X	-
3.2 Other securities	-	-	-	-	-		-	-	-	-	-
3.2.1 structured	-	-	-	-	X		-	-	-	X	-
3.2.2 other	-	-	-	-	X		-	-	-	X	-
Total A	-	-	-	-	-		-	-	-	-	
B. Derivatives	-	-	-	-	-		-	-	-	-	
1. Financial derivatives	-	-	965	-	-		-	46	-	-	1998%
1.1 trading	X	-	965	-	X	X	-	46	-	X	1998%
1.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X	-
1.3 other	X	-	-	-	X	X	-	-	-	X	-
2 Credit derivatives	-	-	-	-	-		-	-	-	-	-
2.1 trading	X	-	-	-	X	X	-	-	-	X	-
2.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X	-
2.3 other	X	-	-	-	X	X	-	-	-	X	-
Total B	**X**	-	**965**	-	**X**	**X**	-	**46**	-	**X**	**1997,8%**
Total (A+B)	**X**	-	**965**	-	**X**	**X**	-	**46**	-	**X**	**1997,8%**

Key: FV = fair value; FV* = fair value calculated by excluding the changes in value due to the change in the issuer's credit rating since the issue date; NV = nominal or notional value

Section 5 - Financial liabilities designated at fair value - item 50

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 6 - Hedging derivatives - item 60

6.1 Hedging derivatives: composition by type of contract and hierarchical levels

	FV 31/12/2013			VN 31/12/2013	FV 31/12/2012			VN 31/12/2012
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**2.915**	**-**	**20.000**
1) Fair value	-	-	-	-	-	2.915	-	20.000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**2.915**	**-**	**20.000**

Key: FV = fair value; NV = notional value L1 = Level 1 L2 = Level 2 L3 = Level 3

6.2 Hedging derivatives: composition by hedged portfolio and type of hedge

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 7 - Change in fair value of financial liabilities in macro fair value hedge portfolios - item 70

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 8 - Tax liabilities - item 80

For information on this section, please see Section 13 under Assets.

Section 9 - Liabilities associated with discontinued operations - item 90

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 10 - Other liabilities - item 100

10.1 Other liabilities – composition

	31/12/2013	31/12/2012	%
	-	-	0,0%
Amounts due to social security and welfare institutions	1.510	317	376,3%
Amouns due to public entities on behalf of third parties	4.228	348	1115,0%
Sundry items to be debited to customers and banks	-	-	0,0%
Amounts available to customers	3.686	1	368453,8%
Amounts payable to employees	2.470	522	373,1%
Value date differences on portfolio transactions	17.726	-	100,0%
Sundry items to be debited to customers	7.059	-	100,0%
Intems in transit between branches	145	-	100,0%
Accruals other than those capitalised	516	154	234,9%
Guaratees given	830	-	100,0%
Payables related to the supply of goods and services	7.469	662	1028,3%
Sundry and residual items	37.997	6.513	483,4%
Total	**83.636**	**8.517**	**882,0%**

The various items include:

- amounts due to the vehicle for securitised mortgage loans (€23,549 thousand); and
- third-party funds for agricultural loans (€6,547 thousand).

Section 11 - Employee termination benefits - item 110

11.1 Employee termination benefits: annual change

	31/12/2013	31/12/2012	%
A. Opening balance	**419**	**423**	**-0,9%**
B. Increases	**6.971**	**352**	**1878,6%**
B.1 Provision for the year	1.757	352	398,7%
B.2 Other increases	5.214	-	100,0%
C. Decreases	**1.746**	**356**	**389,9%**
C.1 Severance payments	392	27	1336,0%
C.2 Other decreases	1.354	329	311,4%
D. Closing balance	**5.645**	**419**	**1247,3%**
Total	**5.645**	**419**	**1247,3%**

Item C.2 “Other decreases” refers to the amounts transferred to the pension fund and INPS Treasury Fund.
Under international accounting principles, employee termination benefits are considered post-employment benefits of the defined-benefit type. Accordingly, for accounting purposes, their value is determined through actuarial approaches based on a technical procedure known in actuarial literature as the “MAGIS” method. This method, based on a stochastic simulation of the Montecarlo type, allows projections to be prepared for the compensation costs for each employee, considering the demographic and compensation figures associated with each position, without aggregating those positions or introducing average values. The calculations were performed for the number of years necessary for all workers currently in service to leave service.
In accordance with IAS 19, the actuarial assessments have been conducted according to the accrued benefit method by using the Projected United Credit Method.
Technical assessments were conducted according to the following parameters:

- annual technical discount rate: 3.17%;
- annual inflation rate: 2.00%;
- annual rate of termination benefit increase: 3.00%.

As required by ESMA, the actuarial assessment was repeated while leaving all other hypotheses unchanged but considering a discounting rate equal to the index for the Eurozone, Iboxx Corporate AA, with a duration of 10+ years, in a manner consistent with the average financial duration of prospective divestments tied to departures from the category subject to assessment. Recalculation on the basis of the above discounting rate would have entailed the recognition of a greater liability of €24 thousand.

Section 12 - Provisions for risks and charges - item 120

12.1 Provisions for risks and charges: composition

	31/12/2013	31/12/2012	%
1. Company pension plans	-	-	-
2. Other provisions	3.296	17	19288,2%
2.1 legal disputes	800	17	4605,9%
2.2 staff costs	-	-	-
2.3 other	2.496	-	100,0%
Total	**6.592**	**17**	**38677,1%**

12.2 Provisions for risks and charges: annual change

	Pension plans	Other provisions	Total
A. Opening balance	**-**	**17**	**17**
B. Increases	**-**	**3.599**	**3.599**
B.1 Provision for the year	-	2.437	2.437
B.2 Changes due to passage of time	-	-	-
B.3 Changes due to changes in discount rate	-	-	-
B.4 Other increases	-	1.162	1.162
C. Decreases	**-**	**320**	**320**
C.1 Use during the year	-	263	263
C.2 Changes due the changes in discount rate	-	-	-
C.3 Other decreases	-	57	57
D. Closing balance	**-**	**3.296**	**3.296**

12.4 Provisions for risks and charges - other
Provisions for risks and charges consist of the following:

Provision for revocatory actions
This provision stood at €800 thousand as at 31 December 2013 and represents the estimated amount of expected liabilities, calculated specifically 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.

Provisions for contingencies and complaints
This provision amounted to €2,496 thousand at 31 December 2013 and consisted of €1,967 thousand of accruals for complaints and civil litigation and €529 thousand of accruals for the interbank deposit guarantee fund.

Section 13 - Redeemable shares - item 140
This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 14 - Shareholders' equity - items 130, 150, 160, 170, 180, 190 and 200
Shareholders' equity is defined by international accounting standards as "the residual value of an entity's assets after all liabilities have been deducted." From a financial standpoint, equity represents the monetary extent of the resources contributed by the owners or generated by the entity.
Capital management is the set of policies and decisions required to determine the capitalisation level, as well as the optimal combination of the various alternative capitalisation instruments aimed at ensuring that capital and capital ratios are consistent with the risk profile assumed, in full accordance with supervisory requirements.
In further detail, the capital policy adopted by the Group is founded upon the three following approaches:

- full compliance with regulatory requirements (regulatory approach);
- appropriate monitoring of risks associated with banking operations (management approach); and
- support for company development projects (strategic approach).

These approaches correspond to appropriate definitions of capital, specific objectives and particular corporate functions.
From a regulatory point of view, the definition of capital is that set out in supervisory regulations. Ongoing compliance with minimum capital requirements (Pillar 1), which are monitored on a regular basis and considered a constraint during planning, is an essential precondition for operations.
From the point of view of risk management – one of the key functions in banking – capital is considered the main defence against possible unexpected losses generated by the various risks assumed. The amount of capital is optimal if it is sufficient to absorb unexpected losses estimated for a specific confidence interval, thereby guaranteeing the continuity of operations over a specified time period (Pillar 2).
Accordingly, capital management is aimed at governing the Group's current and prospective capital solidity by both monitoring compliance over time with regulatory requirements for Pillar 1 risks and constantly checking overall capital adequacy for Pillar 2 risks.
From the company standpoint, capital adequacy is assessed in reference to funding for assets that yield returns in the long term (fixed assets, equity investments and goodwill), strategic reorganisation processes, turnaround projects and investment needs. Actual access to adequate capital, considered a scarce, costly resource, is associated with the creation of value as a condition for the expected return.
As a cooperative bank with strong local roots, the Bank implements its capital policy primarily through:

- the gradual expansion of its size and the broad geographical distribution of its owners;
- the issuance of financial instruments (ordinary shares and convertible bonds); and
- ensuring a deep market for its instruments by listing them on regulated markets.

The merger of Banca di Cividale and Nordest Banca into the Parent Company, Banca Popolare di Cividale, authorised by the Bank of Italy on 31 October 2013, was finalised on 28 December 2013 with the execution of the merger agreement, effective from a legal standpoint from 30 December 2013, entailing the issuance of 94,866 ordinary shares of Banca di Cividale S.c.p.A., corresponding to a share capital increase of €285 thousand.

At 31 December 2013, Banca Popolare di Cividale had fully subscribed and paid-in share capital of €51,068 thousand, divided into 17,022,649 ordinary shares without par value.

14.1 Bank's shareholders' equity: composition

	31/12/2013	31/12/2012	%
1. Share capital	51.068	50.783	0,6%
2. Share premiums	198.570	196.529	1,0%
3. Reserves (*)	42.845	38.046	12,6%
4. (Treasury shares)	(7)	(9.740)	-99,9%
5. Valuation reserves	8.552	19.981	-57,2%
6. Capital instruments	-	-	-
7. Net income (loss) for the period	(33.850)	14.172	-338,8%
Total	**267.177**	**309.771**	**-13,8%**

(*) The figures have been adjusted as a consequence of the retrospective application of IAS 19. The pertinent impacts are detailed separately in the notes.

14.2 Share capital – Number of shares: annual change

	Ordinary	Other
A. Shares at start of year	16.530.194	-
- fully paid	-	-
- partly paid	-	-
A.1 Treasury stock (-)	- 397.569	-
A.2 Shares in circulation: opening balance	16.927.763	-
B. Increases	1.371.054	-
B.1 New issues	94.886	-
- paid issues:	94.886	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	94.886	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	1.276.168	-
B.3 Other changes	-	-
C. Decreases	878.896	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	878.896	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**17.022.352**	-
D.1 Treasury stock (+)	297	-
D.2 Shares at end of the year	17.022.649	-
- fully paid	17.022.649	-
- partly paid	-	-

14.3 Capital: other information

Share capital consists of 17,022,649 ordinary shares with a par value of €3.00 each, for an aggregate total of €51,068 thousand.

Schedule illustrating eligibility for distribution, possible uses and origins of shareholders' equity reserves as required by Article 2427 of the Italian Civil Code

	Amount to 31/12/2013	UTILISATION OPTIONS	AMOUNT AVAILABLE	USE IN LOSS COVERAGE	OTHER
Share capital	**51.068**	**-**	**-**	**-**	**-**
Capital reserves	**-**	**-**	**-**	**-**	**-**
Share premiums	198.570	A - B - C	198.570	198.570	-
Valuation reserves	8.552	A-B	8.552	8.552	-
Other reserves	**-**	**A - B - C**	**-**	**-**	**-**
- legal reserve	19.208	B	19.208	19.208	-
- reserve for the purchase of treasury shares	(7)	-	-	-	-
- statutory reserve	29.142	A - B	29.142	29.142	-
- other reserves	5.500	A - B	5.500	5.500	-
- retained earnings	(6.940)	A - B	(6.940) -	6.940	-
Net income for the period	(33.850)	-	-	-	-
Total	**271.242**	**-**	**254.031**	**254.031**	**-**
Non available	**-**	**-**	**-**	**-**	**-**
Available	**271.242**	**-**	**254.031**	**254.031**	**-**

A: for share capital increases; B for coverage of losses C: for distribution to shareholders

14.4 Earnings reserves: other information

	31/12/2013	31/12/2012	%
Legal reserve	19.208	17.797	7,9%
Treasury share reserve	-	-	-
Statutory reserve	29.142	21.840	33,4%
Ias-Ifrs reserve	285	285	0,1%
Other reserves	5.215	5.067	2,9%
Merger deficit	(10.298)	-	100,0%
Merger surplus	6.233	-	100,0%
Retained earnings IAS-IFRS	(6.940)	(6.940)	0,0%
Total	**42.845**	**38.049**	**12,6%**

14.5 Equity instruments: composition and annual changes

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

14.6 Other information

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

OTHER INFORMATION

1. Guarantees issued and commitments

	31/12/2013	31/12/2012	%
1) Financial guarantees issued	39.722	21.418	85,5%
a) Banks	3.062	1.986	54,2%
b) Customers	36.660	19.432	88,7%
2) Commercial guarantees issued	60.493	3.764	1507,2%
a) Banks	1.010	470	114,7%
b) Customers	59.483	3.293	1706,1%
3) Irrevocable commitments to disburse funds	21.702	5.344	306,1%
a) Banks	-	4.411	-100,0%
i) certain use	-	4.411	-100,0%
ii) uncertain use	-	-	-
b) Customers	21.702	933	2226,1%
i) certain use	168	-	100,0%
ii) uncertain use	21.535	933	2208,1%
4) Commitments underlying credit derivatives: sales of protection	-	-	-
5) Assets pledged as collateral for third-party debts	-	7.032	-100,0%
6) Other commitments	-	-	-
Total	**121.917**	**37.558**	**224,6%**

2 - Assets pledged as collateral for liabilities and commitments

	31/12/2013	31/12/2012	%
1. Financial assets held for trading	-	-	-
2. Financial assets recognized at fair value	-	-	-
3. Financial assets available for sale	1.327.460	1.212.377	9,5%
4. Financial assets held to maturity	105.369	104.063	1,3%
5. Loans to banks	-	-	-
6. Loans to customers	555.748	117.497	373,0%
7. Property, plant and equipment	-	-	-

Loans to customers include €527,857 thousand of senior notes subscribed for following the self-securitisation transactions finalised in May 2009 and February and July 2012.

In addition, the Bank has committed off-balance sheet securities of €446,465 thousand, of which €280,000 thousand associated with notes issued by BPC and fully repurchased, representative of liabilities guaranteed by the Italian government pursuant to Art. 8 of Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, used as collateral for refinancing transactions with the European Central Bank.

4. Management and intermediation services

	31/12/2013
1. Trading in financial instruments on behalf of third parties	
a) Purchases	
1. settled	-
2. not yet settled	-
b) Sales	
1. settled	-
2. not yet settled	-
2. Asset management	**230.738**
a) individual	230.738
b) collective	-
3. Custody and administration of securities	**5.949.437**
a) third-party securities held as part of depository bank services (excluding portfolio management)	-
1.securities issued by reporting entity	-
2. other	-
b) other third-party securities on deposit (excluding portfolio mana	-
1. securities issued by reporting entity	-
2. other	1.087.277
c) third-party securities deposited with third parties	1.074.431
d) securities owned by bank deposited with third parties	3.787.729
4. Other	

The amount of loans to customers corresponds to the value of the senior notes subscribed for following the self-securitisation transactions finalised on 25 May 2009, 1 December 2011, 6 August 2012 and 9 August 2013.

5 - 6 . Financial assets and liabilities presented on a net basis, subject to master netting agreements or similar agreements

IFRS 7 requires that specific disclosure be provided for financial instruments that are set off in the balance sheet pursuant to IAS 32 or that are partially eligible for offsetting, upon the occurrence of certain conditions, in that they are governed by master netting agreements or similar agreements that do not comply with the criteria established by IAS 32 for offsetting in the financial statements.

For the Banca Popolare di Cividale Group, there were no outstanding netting agreements for which balances are to be offset in the balance sheet pursuant to IAS 32.

The financial instruments potentially eligible for offsetting in the tables below are governed by the following agreements:

- for derivative instruments: an ISDA master agreement and clearing house netting agreements;
- for repurchase and reverse repurchase agreements: a master agreement entitled the Global Master Repurchase Agreement (GMRA); and
- for securities lending: the Global Master Securities Lending Agreement (GMSLA).

Technical forms	Gross amountof financial (a)assets	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not offse tin the financial statements		Net amount 31/12/2013	Net amount 31/12/2012
				Financial instruments (d)	Cash(e) deposits received as collateral		
1. Derivatives 2. Repurchase agreements 3. Securities lending 4. Other	120	-	120	19	-	101	81
Total T	120	-	120	19	-	101	X
Total (T-1)	-	-	-	-	-	X	81

Technical forms	Gross amountof financial (a)assets	Amount of financial liabilities offset in the financial (b)statements	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not offse tin the financial statements		Net amount 31/12/2013	Net amount 31/12/2012
				Financial instruments (d)	Cash deposits received as (e)collateral		
1. Derivatives 2. Repurchase agreements 3. Securities lending 4. Other	773	-	773	343	-	430	621
Total T	773	-	773	343	-	430	X
Total (T-1)	-	-	-	-	-	X	621

Chapter C – NOTES TO THE INCOME STATEMENT

Section 1 - Interest - items 10 and 20

1.1 *Interest income and similar revenues: composition*

	Debt securities	Loans	Other transactions	31/12/2013	31/12/2012	%
1. Financial assets held for trading	346	-	-	346	260	33,3%
3. Financial assets available for sale	30.510	-	-	30.510	28.235	8,1%
4. Financial assets held to maturity	4.137	-	-	4.137	6.464	-36,0%
5. Due from banks	4.110	987	-	5.097	14.871	-65,7%
6. Loans to customers	-	95.102	-	95.102	12.457	663,4%
6. Financial assets recognised at fair value	-	-	-	-	-	-
7. Hedging derivatives	X	X	-	66	-	100,0%
8. Other assets	X	X	-	2	-	100,0%
Total	39.104	96.089	-	135.261	62.287	117,2%

1.2 Interest income and similar revenues: differentials on hedging transactions

As provided for in Bank of Italy Circular No. 262, this table is only compiled if the balance of the negative and positive differentials accrued on hedging derivatives is positive. Since the balance was negative during the year, table 1.5 was instead compiled.

1.3.1 Interest income on foreign-currency financial assets

	31/12/2013	31/12/2012	%
Interest income on foreign-currency financial assets - securities	-	1	100,0%
Total	**-**	**1**	**100,0%**

1.4 *Interest expense and similar charges: composition*

	Debt	Securities	Other liabilities	31/12/2013	31/12/2012	%
1. Due to Central Banks	4.725	X	-	4.725	4.933	-4,2%
2. Due to banks	2.001	X	-	2.001	6.064	-67,0%
3. Due to customers	27.426	X	-	27.426	895	2964,4%
4. Securities issued	X	23.344	-	23.344	26.860	-13,1%
5. Financial liabilities held for trading	-	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-	-
7. Other liabilities	X	X	-	-	-	-
8. Hedging derivatives	X	X	-	-	33	-100,0%
Total	**34.152**	**23.344**	**-**	**57.496**	**38.784**	**48,2%**

1.6.1 Interest expense on foreign-currency financial liabilities

	31/12/2013	31/12/2012	%
Interest expence on foreign-currency financial assets	303	-	100,0%
Total	**303**	**-**	**100,0%**

Section 2 - Commissions - items 40 and 50

2.1 Commission income: composition

	31/12/2013	31/12/2012	%
a) guarantees issued	1.138	86	1223,3%
b) credit derivatives	-	-	-
c) management, intermediation and advisory services:	7.566	266	2744,2%
1. trading in financial instruments	-	-	-
2. foreign exchange	586	-	100,0%
3. asset management	1.794	-	100,0%
3.1 individual	1.794	-	100,0%
3.2 collective	-	-	-
4. securities custody and administration	395	266	48,5%
5. depository services	-	-	-
6. securities placement	3.495	-	100,0%
7. reception and transmission of orders	640	-	100,0%
8. advisory services	-	-	-
8.1. on investments	-	-	-
8.2. on financial structure	-	-	-
9. distribution of third-party services	655	-	100,0%
9.1 asset management	-	-	-
9.1.1 individual	-	-	-
9.1.2 collective	-	-	-
9.2 insurance products	655	-	100,0%
9.3 other	-	-	-
d) collection and payment services	7.266	-	100,0%
e) servicing activities for securitizations	-	-	-
f) services for factoring transactions	-	-	-
g) tax collection services	-	-	-
h) management of multilateral trading facilities	-	-	-
i) management of current accounts	6.356	-	100,0%
h) other	6.651	96	6828,2%
Total	**28.976**	**448**	**6367,9%**

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2013	31/12/2012	%
a) at Bank branches:	5.895	-	100,00%
1. portfolio management	1.744	-	100,00%
2. placement of securities	3.495	-	100,00%
3. third party products and services	655	-	100,00%
b) outside bank branches:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third party products and services	-	-	-
c) other distribution channels:	50	-	100,00%
1. portfolio management	50	-	100,00%
2. placement of securities	-	-	-
3. third party products and services	-	-	-

2.3 *Commission expense: composition*

	31/12/2013	31/12/2012	%
a) guarantees received	7	-	100,0%
b) credit derivatives	-	-	-
c) management and intermediation services:	43	171	-74,9%
1. trading in financial instruments	26	15	73,3%
2. foreign exchange	-	-	-
3. asset management	-	-	-
3.1 own portfolio	-	-	-
3.2 third-party portfolio	-	-	-
4. securities custody and administration	-	-	-
5. placement of financial instruments	17	156	-89,1%
6. off-premises distribution of securities, products and services	-	-	-
d) collection and payment services	2.217	-	100,0%
e) other services	4.753	2.492	90,7%
Total	**7.021**	**2.663**	**163,6%**

Commission expense for “other services” includes commissions of €4,070 thousand for liabilities guaranteed by the Italian central government used as collateral for financing transactions with the ECB.

Section 3 - Dividends and similar income - item 70

3.1 Dividends and similar income: composition

	31/12/2013		31/12/2012		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	13	-	21	-	-38,1%
B. Financial assets available for sale	1.320	-	1.180	-	11,9%
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	-	X	343	X	-100,0%
Total	**1.333**	**-**	**1.544**	**-**	**-13,7%**

Section 4 - Net trading income or loss - item 80

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities	6	680	469	-	217
1.2 Equity securities	-	-	-	187	(187)
1.3 Units in collective investment undertaki	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading					
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	0	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	-
4. Derivatives					
4.1 Financial derivatives					
- on debt securities and interest rates	8.049	2.228	8.037	2.021	220
- on equity securities and equity indice	-	-	-	-	-
- on foreign currencies and gold	X	X	X	X	173
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**8.055**	**2.908**	**8.505**	**2.208**	**423**

Section 5 - Net fair value changes in hedge accounting - item 90

5.1 Net fair value changes in hedge accounting: composition

	31/12/2013	31/12/2012
A. Income on:		
A.1 Fair value hedges	5.184	2.619
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedges	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income on hedging activities (A)	**5.184**	**2.619**
B. Expense on:		
B.1 Fair value hedges	5.238	2.882
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedges	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expense on hedging activities (B)	**5.238**	**2.882**
C. Net gain (loss) on hedging activities (A-B)	**(54)**	**(264)**

Section 6 - Profit (loss) on disposal or repurchase - item 100

	Total 31/12/2013			Total 31/12/2012		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	1.082	1	1.081	63	31	32
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	55.356	3.769	51.586	16.429	5.787	10.642
3.1 Debt securities	55.356	3.769	51.586	16.429	5.787	10.642
3.2 Equity securities	-	-	-	-	-	-
3.3 Units in collective investment undertakings	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**56.438**	**3.770**	**52.667**	**16.492**	**5.818**	**10.674**
Financial liabilities	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	151	1.957	(1.806)	42	2.911	(2.869)
Total liabilities	**151**	**1.957**	**(1.806)**	**42**	**2.911**	**(2.869)**

Section 7 – Profit (loss) on financial assets and liabilities designated at fair value - item 110

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 8 - Charges/write-backs on impairment - item 130

8.1 Charges/write-backs on impairment of loans: composition

	Writedowns (1)			Writebacks (2)				31/12/2013	31/12/2012	%
	Specific			Specific		Portfolio				
	Writeo	Other		A	B	A	B			
A. Loans to banks	-	-	-	-	-	-	-	-	- -	
- Loans	-	-	-	-	-	-	-	-	-	0%
- Debt securities	-	-	-	-	-	-	-	-	-	0%
B. Loans to customers	504	105.458	6.116	170	936	-	1	110.971	(744)	-15024%
Non performing loans purchas	-	-	-	-	-	-	-	-	- -	
- Loans	-	-	X	-	-	X	X	-	-	0%
- Debt securities	-	-	X	-	-	X	X	-	-	0%
Other	504	105.458	6.116	170	936	-	1	110.971	(744)	-15024%
- Loans	504	105.458	6.116	170	936	-	1	110.971	(744)	-15024%
- Debt securities	-	-	-	-	-	-	-	-	- -	
C. Total	**504**	**105.458**	**6.116**	**170**	**936**	**-**	**1**	**110.971**	**(744)**	**-15024%**

Key: A = interest B = other write-backs

8.2 Charges/write-backs on impairment of financial assets available for sale: composition

	Writedowns (1)		Writebacks (2)		31/12/2013 (3)	31/12/2012
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	7.792	X	X	7.792	(826)
C. Units in collective investment undertakings	-	1.489	X	-	1.489	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**9.281**	**-**	**-**	**9.281**	**(826)**

Key: A = interest B = other write-backs

Write-backs on equities totalled €9,281 thousand and refer to impairment losses identified during impairment testing.

8.4 Charges/write-backs on impairment of other financial transactions:

	Writedowns (1)			Writebacks (2)					
	Specific			Specific		Portfolio			
	Writeoffs	Other	Portfolio	A	B	A	B	31/12/2013	31/12/2012
A. Guarantees issued	-	-	-	-	38	-	4	(42)	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	-	-	-	38	-	4	(42)	-

Key: A = interest B = other write-backs

Section 9 - G&A expenses - item 150

9.1 Personnel expenses: composition

	31/12/2013	31/12/2012	%
1) Employees	38.722	7.578	411,0%
a) wages and salaries	26.575	5.142	416,8%
b) social security contributions	7.091	1.437	393,5%
c) severance benefits	10	(2)	6,0%
d) pensions	-	-	-
e) allocation to employee severance benefit provision	2.032	304	568,3%
f) allocation to provision for pensions and similar liabilities	-	-	-
- defined contribution	-	-	-
- defined benefit	-	-	-
g) payments to external pension funds	1.220	243	402,1%
- defined contribution	1.220	243	402,1%
- defined benefit	-	-	-
h) costs in respect of agreements to make payments	-	-	-
in own equity instruments	-	-	-
i) other employee benefits	1.793	453	295,8%
2) Other personnel	513	52	886,5%
3) Board of Directors	978	407	140,3%
4) Early retirement costs	-	-	-
5) Recovery of expenses for employees of the Bank seconded to other entities	(68)	(128)	-46,9%
6) Reimbursement of expenses for employees of other entities seconded to the Bank	45	594	-92,5%
Total	**40.190**	**8.503**	**372,7%**

9.2 Average number of employees by category

	2013	2012
Employees	-	-
a) Senior management	8	5
b) Middle management	227	47
of which Grade III and IV	106	21
c) Other personnel	346	53
Total	**581**	**105**

9.4 Other employee benefits

Other employee benefits include €545 thousand in meal vouchers and €640 thousand in insurance policies.

9.5 Other administrative expenses: composition

	31/12/2013	31/12/2012	%
Compensation for professional and consultancy services	4.318	1.462	195,3%
Insurance	234	42	458,1%
Advertising	740	-	100,0%
Telephone, postal and data transmission	763	27	2726,7%
Office supplies and printing	484	1	48318,6%
Maintenance and repairs	914	2	45585,6%
Electricity, heating and shared property service charges	895	-	100,0%
Services provided by third parties	9.747	706	1280,6%
Cleaning	558	-	100,0%
Travel expenses	1.232	124	893,9%
Security and transport of valuables	195	-	100,0%
Membership fees	503	177	184,4%
Commercial information	1.050	58	1710,7%
Magazine and newspaper subscriptions	68	27	150,0%
Rent payable	2.606	4	65048,9%
Entertaining expenses	190	13	1362,0%
Taxes and duties	6.028	70	8511,3%
Other expenses	1.150	284	305,0%
Total	**31.676**	**2.997**	**956,9%**

Section 10 - Net provisions for risks and charges - item 160

10.1 Net provisions for risks and charges: composition

	31/12/2013	31/12/2012	%
customer disputes	1.701	-	100,0%
provision for legal disputes	529	-	100,0%
revocatory actions	150	-	100,0%
Total	**2.380**	-	**100,0%**

Section 11 - Charges/write-backs on impairment of property, plant and equipment - item 170

11.1 Charges/write-backs on impairment of property, plant and equipment: composition

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 2013
A. Property, plant and equipment				
A.1 owned	1.222	-	-	1.222
- operating assets	1.222	-	-	1.222
- investment property	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
Total	**1.222**	-	-	**1.222**

Section 12 - Charges/write-backs on impairment of intangible assets - item 180

	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 2013
A. Intangible assets				
A.1 Owned	67	-	-	67
- generated internally by the Bank	-	-	-	-
- other	67	-	-	67
A.2 Acquired under finance leases	-	-	-	-
Total	**67**	-	-	**67**

Section 13 - Other operating income/expenses - item 190

13.1 Other operating expenses: composition

	31/12/2013	31/12/2012	%
- impairment losses on non-current assets under finance leases	-	-	-
- losses on disposal of property, securities held as non-current assets, equity investments, other assets	-	-	-
- out-of-period expenses and reductions in assets	(703)	(251)	-180,0%
- other	(301)	-	100,0%
Total	**(1.004)**	**(251)**	**299,8%**

13.2 Other operating income: composition

	31/12/2013	31/12/2012	%
a) merchant banking	-	-	-
b) premiums received for options	-	-	-
c) other income - rentals and fees	226	507	-55,3%
d) expenses charged to others - recovery of taxes	5.357	32	16641,8%
e) expenses charged to others - customer insurance premiums	-	-	-
f) expenses charged to others on deposits and current accounts	283	-	100,0%
g) expenses charged to others - intercompany services	-	-	-
h) expenses charged to others - other	1.337	5.099	-73,8%
i) gains on disposal of property, securities held as non-current assets, equity investments, other assets	-	-	-
l) out-of-period income and reductions in liabilities	662	216	100,0%
Total	**7.866**	**5.854**	**34,4%**

Section 14 - Profit (loss) on equity investments - item 210

14.1 Profit (loss) on equity investments: composition (IAS 1/81.c, 103.c, IAS 28/38; IFRS 5/41)

	31/12/2013	31/12/2012	%
A. Revenues	**-**	273	**-100%**
1. Revaluations	-	-	-
2. Profits on disposal	-	273	-100%
3. Write-backs	-	-	-
4. Other	-	-	-
B. Charges	4.088	3.625	**13%**
1. Write-dow ns	4.088	3.625	13%
2. Impairment losses	-	-	-
3. Losses on disposal	-	-	-
4. Other	-	-	-
Net result	**(4.088)**	**(3.352)**	**22%**

Impairment losses on equity investments refer to:

- Itas S.p.A. in the amount of €1,051 thousand; and
- Tabogan S.r.l. in the amount of €3,037 thousand.

Section 15 – Net adjustment to the fair value of property, plant and equipment and intangible assets – item 220

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 16 - Goodwill impairment - item 230

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 17 - Profit (loss) on disposal of investments - item 240

17.1 Profits (loss) on disposal of investments: composition

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 18 - Taxes on income from continuing operations - item 260

18.1 Taxes on income from continuing operations: composition

	31/12/2013	31/12/2012	%
1. Current taxes (-)	(17.861)	(8.237)	116,8%
2. Changes in current taxes from previous periods (+/-)	-	-	-
3. Reduction of current taxes for the period (+)	-	-	-
3. bis Reduction in current taxes for the year for credit taxes set forth in Italian Law no. 214/2011 (+)	-	-	0,0%
4. Change in deferred tax assets (+/-)	25.147	-40	-629,6844
5. Change in deferred tax liabilities (+/-)	(452)	-	-
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	**6.835**	**(8.277)**	**-182,6%**

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

	31/12/2013	31/12/2012
Income (loss) before tax from continuing operations	(40.685)	22.449
Income (loss) before tax on groups of assets/liabilities under disposal	-	-
Theoretical taxable income	(40.685)	22.449
Income tax - theoretical tax expense	11.188	(6.173)
Effect of non-taxable or taxed at reduced rates positive components of income	-	403
Effect of taxed positive components of income	-	-
Effect of revenues that do not form taxable income	(3.880)	(1.299)
Income tax - actual tax expense	**7.308**	**(7.069)**
Theoretical tax expense - Irap	(830)	(834)
Effect of revenues/expenses that do not form taxable income	-	-
Effect of other changes	356	(374)
Actual tax expense - IRAP	**(474)**	**(1.208)**
Other taxes	-	-
Actual tax expenses for the period	**6.835**	**(8.277)**
of which: actual tax expenses from continuing operations	-	-
actual tax liabilities on the groups of assets being divested	-	-

Section 19 - Income (loss) after tax from discontinued operations - item 280
This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Section 20 - Other information
There is no additional information to report beyond that provided in the previous sections.

Section 21 - Earnings per share
21.1 Average number of ordinary shares (fully diluted)

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. The following table presents basic earnings per share and the details of the calculation.

Basic earning per share	31/12/2013	31/12/2012
Earnings attributable to holders of ordinary equity instruments	(33.850)	14.172
Weighted average number of shares	17.022.649	16.927.763
Basic earning per share	**(1,989)**	**0,833**

Diluted earnings per share reflects the dilutive effects of the conversion of potential ordinary shares, defined as financial instruments that grant their holders the right to obtain ordinary shares. Accordingly, when calculating diluted earnings per share, the numerator and denominator of the ratio are adjusted to account for the effects of the additional shares that would need to be issued if all potential ordinary shares with dilutive effects were converted.
Banca Popolare di Cividale has not issued financial instruments that grant their holders the right to obtain ordinary shares.

21.2 Other information
The reader is referred to the information presented in the similar section of the notes to the consolidated financial statements.

Chapter D – COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10	**NET INCOME (LOSS)**	**x**	**x**	**(33.850)**
	Other comprehensive income without reclas	-	-	-
20	Property, equipment and investment property	-	-	-
30	Intangible assets	-	-	-
40	Defined-benefit plans	172	(13)	185
50	Non-current assets held for sale	-	-	-
60	Portion of valuation reserves of equity-accounted investments	-	-	-
	Other comprehensive income with reclassification to profit or loss	-	-	-
70	Hedging of investments in foreign operations:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80	Exchange rate gains (losses)	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90	Cash flow hedges:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
100	Financial assets available-for-sale:	(13.176)	(2.530)	(10.646)
	a) fair value changes	(13.176)	(2.530)	(10.646)
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-	-	-
110	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
120	Portion of valuation reserves of equity-accounted investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-	-	-
130	**Total other comprehensive income**	**(13.004)**	**(2.543)**	**(10.461)**
140	**TOTAL COMPREHENSIVE INCOME**	**-**	**-**	**(44.311)**

Chapter E - RISKS AND HEDGING POLICIES

Identifying the risks to which the Group is potentially exposed is crucial for assuming such risks in an informed manner and managing them effectively, using the appropriate tools and techniques to mitigate those risks.

Its internal rules, operating procedures and monitoring structures designed to protect against business risks have been developed 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.

The management and monitoring of risks within the Banca Popolare di Cividale Group are founded upon the following basic principles:

- identifying responsibilities for assuming risks;
- adopting consistent, adequate measurement and control systems in formal and substantial terms in light of the extent of the risks to be monitored; and
- organisational separation of functions responsible for management and functions responsible for control.

As the body responsible for strategic supervision, the Parent Company's Board of Directors establishes policies governing the assumption of risks and draws upon company departments in supervising and measuring risks, on the one hand, and implementing policies, on the other.

In the context of the merger project, which entailed the merger of the two pre-existing banking companies, Banca di Cividale and Nordest Banca, a revision of the internal organisational structure was mandated. The new organisational structure and organisational rules of Banca Popolare di Cividale, approved by the Board of Directors on 17 December 2013, have been in effect since 30 December 2013.

The new organisational rules, in accordance with the new supervisory rules (Bank of Italy Circular No. 263/2007, 15th update of 2 July 2013), identify the Risk Management Service and Compliance Service, which are to report directly to the Board of Directors, as the second-level control functions. This is also assured for the Auditing Department, a level-three control function that is independent of the other company units.

Risk Management Service

It performs a risk control function, as prescribed by the specific supervisory rules. It is organised into two units: the Credit Risk Management Office, which focuses on credit and concentration risk, and the Operational and Financial Risks Office, which focuses specifically on "financial risks" (liquidity, market and interest rate risk) and other risks (operational and reputation). The Risk Management Service pursues the objective of monitoring the actual risk assumed by the Bank, as well as observance of operating limits. In pursuit of this goal, it proposes the most appropriate quantitative and qualitative parameters and verifies the efficacy of the measures assumed to remedy the deficiencies observed in the risk management process, periodically reporting to company bodies on the activities it performs. It coordinates the preparation of the ICAAP report and monitors the performance of capital ratios, proposing policies aimed at ensuring that the capital base is consistent with the overall degree of risk assumed.

Compliance Service

Legal compliance is the responsibility of an independent function that supervises management of non-compliance risk at the Group level, according to a risk-based approach, for all company activity, ensuring that internal procedures are adequate to prevent that risk. The Compliance function reports to the Compliance Service and is also responsible for supervising legal compliance for financial intermediation and complaints handling services. The Anti-Money Laundering function also reports to the Compliance Service and pursues the objective of preventing and managing the risk of non-compliance with laws governing money-laundering and financing for terrorism. The Head of the Compliance Service acts as the head of both functions for supervisory purposes, in addition to serving as the party responsible for reporting suspect transactions pursuant to Legislative Decree No. 231/07.

According to the Group's organisational model, a Group Management Committee and an Asset and Liability Committee have been instituted, with the additional aim of ensuring an effective exchange of information regarding exposure to such risks between the various segments and maximising the efficacy of the overall control of those risks. The Group's Management Committee, the members of which also include the heads of control functions, supports the general management in operational coordination of the guidelines established with the Strategic Plan and periodically compares company results with the objectives established in the Plan. The ALCo (Assets and Liabilities Committee), of which the Risk Manager is a member, is charged with proposing the Group's strategic decisions in financial matters to the Board of Directors, through the General Manager, as well as with coordinating management policies for assets, liabilities and the associated risks, in light of market scenarios and the guidelines established in the current Strategic Plan.

In the first half of 2014, the Banca Popolare Group has planned an overhaul of its risk management process in accordance with the new provisions governing the rules for the internal control system (Bank of Italy Circular No. 263/2007, 15th update of 2 July 2013), in particular through the introduction of a Risk Appetite Framework ("RAF"), i.e. the framework of reference that defines, in accordance with the maximum assumable risk, business model and strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the processes of reference required to define and implement them.

ICAAP at the Banca Popolare di Cividale Group

In accordance with the regulatory provisions governing the prudential control process, the Group has implemented specific company rules, approved by the Parent Company's Board of Directors and periodically updated, that regulate the internal capital adequacy assessment process (ICAAP). The supervisory regulations require that ICAAP be based on appropriate company risk-management systems and presuppose adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal-control system. The corporate boards are responsible for the process and enjoy full autonomy in defining its structure and organisation to the extent of their respective expertise and prerogatives. They implement and promote updates to ICAAP with the aim of ensuring that it constantly adheres to the Group's operational characteristics and strategic context. The process must be formalised, documented, internally audited and approved by the corporate boards. In detail, the process aims to:

- identify capital requirements on the basis of actual risk and the strategic guidelines set by the Group;
- ensure that capital is constantly adequate to current and prospective needs;
- keep all major risks under observation;
- ensure that regular attention is devoted to risk-measurement and -management processes, developing an increasingly strong "risk culture"; and
- define approaches, tools, methods, and organisational and control systems for risks and capital commensurate to the Group's strategies, characteristics, scope and complexity, with a view towards constant, gradual refinement.

In April of each year, at the conclusion of the process described above, the Parent Company's Board of Directors approves the ICAAP Report at 31 December of the previous year, which represents both the point of convergence and end result of financial planning, risk management and capital management and a tool to be used in strategic evaluation and implementation of business decisions.

ICAAP is aimed at expressing an assessment that total capital is essentially currently and prospectively adequate to cover the relevant risks to which the Group is exposed, support the company's growth plans and maintain suitable market standing.

The disclosure obligations of Pillar Three of the Basel 2 rules are discharged at the Group level through the preparation of the Public Disclosure document published on the company website, www.civibank.it, in the specific section Investor Relations/Financial Statements and Reports/Basel 2 Public Disclosure. The document contains a disclosure for market operators of information concerning capital adequacy, risk exposure and the general characteristics of management systems and the oversight thereof. The information, which is both qualitative and quantitative in nature, is provided through concise overviews, thus fostering the transparency and comparability of the data.

SECTION 1 – CREDIT RISK

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

Lending to support local economic development in the area where the Group operates is a key factor in determining the strategies of the Banca Popolare di Cividale Group.

Our aggregate growth policy, partly achieved through network expansion, continues to pursue the goal of improving credit quality, in part through the ongoing enhancement of the tools used to monitor individual positions and analyse the distribution of lending by segment and branch of economic activity.

Most recently, with the introduction of models for analysing loan performance and scoring systems, work has focused on adding capabilities for forecasting developments in the loan portfolio.

2. Credit risk management policies

2.1 Organisational aspects

The organisational structure of the Group's Lending area is designed to ensure efficient selection of individual borrowers by analysing creditworthiness and minimising the risk of default, giving preference to lending for commercial purposes or for new productive investments, rather than merely financial initiatives. These objectives are pursued through the adoption of specific operating methods in all phases of customer relations management (loan application, loan granting, monitoring and non-performing positions).

From the very start of the loan assessment and granting process, risk is controlled by ascertaining evidence of customer reliability through an assessment of the current and future ability to generate sufficient income and suitable cash flows.

This information forms the basis of the assessment of the nature and extent of the proposed loan, taking into account the applicant's effective needs, developments in any existing credit relationship and the presence of any links between the customers and other borrowers.

The loan disbursement process provides for different levels of independence among Bank branches depending on the size of the loan. For larger amounts, with further distinctions made by risk profile, positions are evaluated by the competent governing bodies and headquarters.

2.2 Management, measurement and control systems

The credit risk assessment and management process assesses the full range of traditional quantitative factors (income components, financial analysis and internal and systemic performance data) and qualitative factors (extensive knowledge of customers and the competitive environment in which they operate, as well as sector analysis).

The factors considered in the decision-making process are supplemented by the full complement of databases available to assist banks, such as the Central Credit Register and Small Loans Register. The entire process is managed through the Electronic Lending Procedure, implemented according to a decision-making mechanism based on rating class.

After a loan is approved and disbursed, the position is assessed over time (on a fixed date or at defined intervals), initially by the branches, which are responsible for specific daily and monthly activities, as well as by the geographical areas. These are also home to new specialised professionals known as credit quality managers who support area heads in all activities within their purview relating to promotion, prevention and monitoring of credit quality. Further assessments may be launched upon the reports or initiatives of dedicated units, foremost among which is the Group's Credit Monitoring Office, which is responsible for loan performance control, conducted through IT procedures aimed at identifying potentially anomalous situations, broken down into two main phases:

- daily monitoring of anomalies on the basis of information obtained through managing the relationship with the customer; and
- systematic surveillance with the use of automated systems with the aim of identifying in a timely manner positions that present signs of deterioration of the risk profile in order to include them in a specific process for managing anomalous positions.

Anomalously performing loans are classified into various categories depending on the risk level, such as loans past due by more than 90 days, substandard loans (exposures to parties in a situation of temporary difficulty that it is expected may be overcome in a suitable period of time), restructured loans and bad debts (exposures to parties in a state of insolvency or substantially equivalent situations).

The new organisational structure calls for internal control of credit risk to be performed by the Credit Risk Management Office, which through specific periodic reports pursues the objective of monitoring and measuring the level of credit risk associated with the Group's loan portfolio. The information base consists of the data provided by the Central Risks Database, general records database and economic groups database. In further detail, the quarterly reports, which are presented to the boards of directors of the Parent Company and Civileasing, envisage:

- an analysis of the composition and performance of the loans portfolio, with an emphasis on credit quality, including a breakdown of loans into performing and non-performing (restructured, past-due, substandard and bad debts) and a comparison with the industry benchmark; the analysis also includes the transition matrices and the calculation of default rates;
- a qualitative analysis of risk profiles from a "strategic" standpoint;

- an analysis of concentration risk for single names and associated groups and an analysis of concentration risk by geographical area and sector, with a calculation of capital requirements as well.

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

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

2.3 Credit risk mitigation techniques

Operating procedures for the proper acquisition, use and management of guarantees have been established in specific internal rules with the aim of ensuring consistent, uniform operations.

Guarantees are acquired through an operational procedure that ensures an assessment of the formal and substantive validity of documentation that includes ascertaining the legal capacity to contract required to provide the guarantee in question. Checks are supplemented at the central level, where securities are held and contracts managed. In the case of pledges, only specified, easily liquidated assets are eligible for acquisition and valuation under the procedure. In cases of mortgages, assets are valued by independent appraisers, except in special, low-value cases, in accordance with the Italian Banking Association Property Appraisal Guidelines, adopted by the Group.

The guarantees acquired that comply with the generic and specific suitability criteria established by supervisory legislation for the mitigation of credit exposures are also used to determine capital requirements. In the case of property guarantees in particular, the Group has entered into a specific agreement with an external provider for the periodic updating of the market value of properties provided as collateral or subject to finance lease, on statistical bases, in order to ensure “property supervision.” For exposures of more than €3 million, the Group has the appraisals revised by an independent expert each year.

Before personal guarantees are accepted, checks are usually made at the competent register of deeds to ascertain the guarantor’s actual real-estate portfolio, bearing in mind the possibility of a rapid, unexpected depletion of the asset base.

Guarantees are always considered to be a subsidiary element in the assessment of loan applications and are not sufficient alone for a loan to be granted.

2.4 Non-performing financial assets

The Legal Department collaborates with the Loan Monitoring Unit in managing non-performing loans (substandard and bad debt positions) according to the technical and organisational procedures and methods illustrated in this section.

Positions classified as substandard are identified by the Loan Monitoring Unit according to a series of analyses concerning internal trend indicators, the return flow of data from central credit registers, sector data, data from the financial statements of individual borrowers and any adverse recordation and/or registration.

Classification of individual positions as substandard is decided by the competent bodies, usually on the recommendation of the Loan Monitoring Unit, and also according to supervisory criteria for identifying what are known as “objective substandard positions.”

The amount of provisions to be recognised is also determined during the decision-making process. Likewise, the competent bodies also decide whether to remove substandard status and reclassify the loan among ordinary positions.

Once a loan is classified as substandard or “watch-list,” the decision-making powers of individual loan officers are suspended and any further decision on extending loans rests solely with collegial bodies. Substandard loans are systematically monitored by the Loan Monitoring Unit, which provides ongoing support to individual branches concerning methods of handling positions and the steps to be taken to restore the positions to performing status.

The Legal Department is responsible for managing bad debts within the Group. The procedure for classifying a position as a bad debt is analogous to that used for managing substandard loans. Decisions concerning the amounts of individual provisions, as well as any changes, are made by the competent bodies upon the recommendation of the Legal Department.

The non-performing loan management process begins with the constant monitoring of the status of individual loan recovery procedures and the monitoring of bad debt status by mapping them using a large number of selection criteria (amount category, procedure status, position manager, etc.). All changes relating to non-performing financial assets are examined monthly by the boards of directors.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 Non-performing and performing positions: stocks, write-downs, changes and distribution by sector and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

	Bad debts	Substandard loans	Restructured positions	Non performing, expired loans	Performing, expired loans	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	3.495	3.495
2. Financial assets available for sale	-	-	-	-	-	1.396.685	1.396.685
3. Financial assets held to maturity	-	-	-	-	-	105.413	105.413
4. Due from banks	-	-	-	-	-	162.912	162.912
5. Loans to customers	144.673	120.234	11.165	21.075	285.398	2.499.619	3.082.164
6. Financial assets recognized at fair value	-	-	-	-	-	-	-
7. Financial assets being divested	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2011	**144.673**	**120.234**	**11.165**	**21.075**	**285.398**	**4.168.123**	**4.750.669**
Total 31/12/2010	**6.293**	**4.996**	**1.046**	**4.294**	**-**	**2.837.590**	**2.854.219**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

	Impaired assets			Other assets			
	Gross exposure	Specific writedowns	Net exposure	Gross exposure	Portfolio writedowns	Net exposure	**Total net exposure**
1. Financial assets held for trading	-	-	-	X	X	3.496	3.496
2. Financial assets available for sale	-	-	-	1.396.685	-	1.396.685	1.396.685
3. Financial assets held to maturity	-	-	-	105.413	-	105.413	105.413
4. Due from banks	-	-	-	162.912	-	162.912	162.912
5. Loans to customers	575.073	277.926	297.147	2.802.007	16.990	2.785.017	3.082.164
6. Financial assets measured at fair value	-	-	-	X	X	-	-
7. Financial assets being divested	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total 31/12/2013	**575.073**	**277.926**	**297.147**	**4.467.017**	**16.990**	**4.453.523**	**4.750.670**
Total 31/12/2012	**20.229**	**3.600**	**16.629**	**2.838.408**	**819**	**2.837.589**	**2.854.218**

In its letter dated 16 February 2011, the Bank of Italy requested a breakdown by portfolio of "performing exposures" by amount of time past due, distinguishing between renegotiated exposures and other exposures. With respect to the Bank's situation, it should be remarked that the portfolio of performing loans to customers includes exposures renegotiated under collective agreements of €5,113 thousand. The other portfolios do not contain exposures renegotiated under collective agreements.

As specified in the Bank of Italy's *Technical Note* of February 2012:

- for exposures subject to repayment in instalments with at least one instalment past due, the entire amount of the exposure as carried is reported as "past due"; and
- for "revocable" credit facilities where the established credit limit has been exceeded (even where due to the compounding of interest), the entire amount of the exposure is reported.

Accordingly, the figures presented in the following table refer primarily to portions of loans that have yet to come due.

Forborne exposures
On 21 October 2013, the EBA (European Banking Authority) issued the final draft of a specific technical standard in which it provided a definition of "forborne exposures" (restructured loans and loans subject to renegotiation procedures).
Forborne positions may occur amongst both performing and non-performing loans and may be attributed to exposures in which the Bank has granted the following to the customer due to the financial difficulties experienced by the latter:
• a change of the previous contractual terms and conditions, inasmuch as the borrower is unable to pay due to financial difficulties, where such a change would not have been permitted if the borrower was not experiencing financial difficulties; or
• partial or total refinancing of the borrower, which would not have been granted if the borrower was not experiencing financial difficulties, where "refinancing" means a new contract that allows the original contract to be repaid in whole or in part.
The definition of "forborne exposure" applies to all loans and debt instruments, with the exception of those included in the category held for trading.
The forborne category differs from the renegotiation of credit positions not due to financial difficulties experienced by the borrower, granted by the Bank with respect to performing loans to customers, which in substance is similar to the opening of a new position, when it is essentially done for commercial reasons, provided that the interest rate applied is a market rate at the renegotiation date.
The scope of "forborne exposures" does not coincide with exposures renegotiated within the framework of the collective agreements presented above in that such agreements are not the type of renegotiation agreements potentially relating to forborne exposures, and the necessary condition for identifying an exposure as "forborne" is the existence of a situation of financial difficulty of the borrower.
The scope of application of the disclosure concerning forborne positions is also broader than the definition of "restructured loan" according to the Bank of Italy rules.

Past-due performing exposures
The accounting standard IFRS 7 requires that for all financial assets not subject to impairment losses entities must disclose the age of the past-due exposure that results when the counterparty fails to make payment on the contractually required due dates. This disclosure is provided in the following table. It bears remarking that:

- for exposures subject to repayment in instalments with at least one instalment past due, the entire amount of the exposure as carried is reported as "past due"; and
- for "revocable" credit facilities where the established credit limit has been exceeded (even where due to the compounding of interest), the entire amount of the exposure is reported.

Accordingly, the figures presented in the following table primarily refer to shares of loans that have not yet come due, in accordance with the figures presented in the column "Performing past-due exposures" of the table "A.1.1 – Distribution of loan exposures by portfolio and credit quality (book values)." Exposures renegotiated within the framework of collective agreements are also presented with the days past due. It should be noted that the provisions provided by the Bank of Italy call for renegotiation to result in a freeze of the calculation of days of inclusion in the past-due category for the entire period of effectiveness of the suspension. The following table presents a breakdown of past-due exposures by portfolio and time past due:

	Up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year	Total net exposure
Renegotiated exposures under collective agreements	313	478	-	-	791
Other exposures	279.026	4.822	1.439	112	285.399

Simplified composition with creditors and composition with creditors on a going-concern basis
In its letter of 10 February 2014, the Bank of Italy required that adequate disclosure be provided concerning the extent and performance of exposures subject to simplified composition with creditors and composition with creditors on a going-concern basis. In further detail, borrowers may apply for simplified composition with creditors by filing only their financial statements for the past three years and a list of their creditors, while reserving the option of filing the proposal, plan and additional documentation at a later date, within a term set by the judge of between 60 and 120 days (in justified cases, the term may be extended for an additional 60 days). Within that term, the borrower may also apply to the judge for approval of a debt-restructuring agreement. On the other hand, the mechanism of composition with creditors on a going-concern

basis allows borrowers in crisis situations to present a composition plan envisaging one of the three following scenarios: i) continuation of business activity by the borrower; ii) disposal of the company on a going-concern basis; or iii) contribution of the company to one or more entities, including newly incorporated entities.
The amendments (Law No. 134/2012, enacting Law Decree No. 83/2012, the "Development Decree," and Law No. 98/2013, enacting Law Decree No. 69/2013) were introduced with the aim of promoting the early emergence of difficulty for an entrepreneur in meeting his obligations, as well as fostering the continuation of operation where certain requirements have been met.
With respect to the Bank's situation, it should be remarked that the portfolio of performing loans to customers includes gross exposures subject to simplified composition and composition on a going-concern basis classified among bad debts.

A.1.3 On- and off-balance sheet exposures to banks: gross and net values

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	-	-	X	-
b) Substandard loans	-	-	X	-
c) Restructured positions	-	-	X	-
d) Past due positions	-	-	X	-
e) Other assets	202.451	X	-	202.451
TOTAL A	**202.451**	**-**	**-**	**202.451**
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-
a) Impaired	-	-	X	-
b) Other	4.395	X	-	4.395
TOTAL B	**4.395**	**-**	**-**	**4.395**
TOTAL A+B	**206.846**	**-**	**-**	**206.846**

A.1.6 On- and off-balance-sheet exposures to customers: gross and net values

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	358.329	213.655	X	144.673
b) Substandard loans	176.713	56.479	X	120.234
c) Restructured positions	13.545	2.380	X	11.165
d) Past due positions	26.486	5.411	X	21.075
e) Other assets	4.267.190	X	16.990	4.250.200
TOTAL A	**4.842.263**	**277.926**	**16.990**	**4.547.347**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	3.874	46	X	3.828
b) Other	115.604	X	784	114.820
TOTAL B	**119.478**	**46**	**784**	**118.648**

A.1.7 On-balance sheet exposures to customers: changes in non-performing exposures and gross exposures subject to country risk

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. Opening gross exposure	**9.102**	**5.591**	**1.057**	**4.479**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**358.487**	**180.146**	**14.193**	**26.319**
B.1 from performing positions	679	11.610	163	3.408
B.2 transfers from other categories of impaired positions	1.830	1.899	-	-
B.3 other increases	355.978	166.637	14.030	22.911
C. Decreases	**9.260**	**9.024**	**1.705**	**4.312**
C.1 to performing positions	-	23	-	506
C.2 writeoffs	2.650	-	-	-
C.3 collections	6.610	7.445	1.390	1.785
C.4 assignments	-	-	-	-
C.5 transfers to other categories of impaired positions	-	1.556	315	2.021
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**358.329**	**176.713**	**13.545**	**26.486**
- of which: exposures assigned but not derecognized	-	-	-	-

A.1.8 On-balance sheet exposures to customers: changes in total adjustments

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**2.809**	**594**	**12**	**185**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**213.503**	**57.470**	**2.716**	**5.356**
B.1. writedowns	61.598	47.089	847	4.926
B.1. bis losses on sale	-	-	-	-
B.2. transfers from other categories of impaired positions	402	69	7	430
B.3. other increases	151.503	10.312	1.862	-
C. Decreases	**2.657**	**1.585**	**348**	**130**
C.1. writebacks from valuations	2.588	1.184	344	35
C.2.writebacks from collection	27	10	-	12
C.2. bis gains on sale	-	-	-	-
C.3. writeoffs	42	-	-	-
C.4. transfers to other categories of impaired positions	-	391	4	83
C.5. other decreases	-	-	-	-
D. Total closing adjustments	**213.655**	**56.479**	**2.380**	**5.411**
- of which: exposures assigned but not derecognized	-	-	-	-

A.2 CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 – Distribution of on- and off-balance sheet exposures by external rating grades

As the Group loan portfolio consists largely of exposures to small and medium enterprises, family-run businesses, artisans, freelance professionals and consumer households, the distribution of on- and off-balance sheet exposures and off-balance sheet exposures by external ratings is not meaningful.

Exposures	External rating classes						No rating	Total 31/12/2013
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	lower than B-		
A. On-statement of financial position credit exposures							4.766.365	4.766.365
B. Derivatives							-	-
B.1 Financial derivatives							871	871
B.2 Credit derivatives							-	-
C. Guarantees given							100.215	100.215
D. Commitments to grant finance							21.702	21.702
E. Other							256	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4.889.409**	**4.889.153**

A.2.2 – Distribution of on- and off-balance sheet exposures by internal rating grades

As stated above, such ratings are used solely as a further factor in evaluation and do not play a decisive role in the loan assessment process.

Exposures	External rating classes						No rating	Total 31/12/2013
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	lower than B-		
A. On-statement of financial							4.749.798	4.749.798
B. Derivatives							-	-
B.1 Financial derivatives							871	871
B.2 Credit derivatives							-	-
C. Guarantees given							100.215	100.215
D. Commitments to grant finance							21.702	21.702
E. Other							256	256
Total	-	-	-	-	-	-	**4.872.842**	**4.872.586**

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A.3 Distribution of secured exposures by type of guarantee

A.3.1 – Secured on-balance sheet exposures to banks

	Net exposures	Collateralsi (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature Loans (loans guarantees)				
							Other credit derivatives								
		Property	Property leasing	Securities	Other assets	CLN	Goverments and Central Banks	Other public entities	Banks	Other entities	Goverments and Central Banks	Other public entities	Banks	Other entities	
1. Secured exposures to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.1. fully secured	45.453	-	-	50.006	-	-	-	-	-	-	-	-	-	-	50.006
- of w hich nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of w hich nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of w hich nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of w hich nonperforming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

3.2. – Secured on-balance sheet exposures to customers

	Net exposures	Collateralsi (1)				Guarantees (2)											Total (1)+(2)
						Credit derivatives							Signature Loans (loans guarantees)				
							Other credit derivatives										
		Property		Securities	Other assets	CLN	Goverments	and Central	Banks	Other public entities	Banks	Other entities	Goverments and C	Other public entities	Banks	Other entities	
1. Secured on balance sheet credit exposures	2.134.733	5.821.375		135.991	30.974	-			-	-	-	-	-	9.314	1.163	296.933	**5.355.985**
1.1. totally secured	2.068.798	4.911.360		126.940	25.183	-			-	-	-	-	-	7.771	734	243.112	5.315.100
- of which impaired	256.471	904.079		2.644	4.056	-			-	-	-	-	-	160	312	28.513	939.764
1.2. partially secured	65.935	5.935		6.407	1.734	-			-	-	-	-	-	1.382	118	25.309	40.886
- of which impaired	8.308	5.935		332	-	-			-	-	-	-	-	-	1	4.535	10.804
2. Secured off balance sheet credit exposures	31.999	1.288		5.880	4.387	-			-	-	-	-	-	24	-	18.766	29.438
2.1. totally secured	24.106	1.288		3.942	3.496	-			-	-	-	-	-	24	-	16.472	25.223
- of which impaired	1.096	-		137	196	-			-	-	-	-	-	-	-	780	1.113
2.2. partially secured	6.797	-		1.801	695	-			-	-	-	-	-	-	205	1.514	4.216
- of which impaired	420	-		-	-	-			-	-	-	-	-	-	-	100	100

B. CREDIT DISTRIBUTION AND CONCENTRATION

B.1 Distribution of on- and off-balance sheet exposures to customers by business segment

	Governments and central banks			Other public entities			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	
A. On-balance-sheet exposures																		
A.1 Bad debts	-	-	X	-	3	X	1.920	1.301	X	-	-	X	119.668	185.861	X	23.085	26.490	
A.2 Substandard loans	0	0	X	-	-	X	2.526	234	X	-	-	X	91.815	49.636	X	25.893	6.609	
A.3 Restructured positions	-	-	X	-	-	X	1.427	1.123	X	-	-	X	8.160	1.237	X	1.578	21	
A.4 Past due positions	-	-	X	-	-	X	322	83	X	-	-	X	11.567	2.970	X	9.186	2.359	
A.5 Other	1.462.860	X	0	7.757	-	58	535.751	X	174	13.292	X	-	1.353.817	X	10.134	876.723	X	6
TOTAL	1.462.860	0	0	7.757	3	58	541.945	2.741	174	13.292	-	-	1.585.028	239.703	10.134	936.465	35.479	6
B. Off-balance-sheet exposures																		
B.1 Bad debts	-	-	X	-	-	X	-	-	X	-	-	X	518	23	X	22	-	
B.2 Substandard loans	-	-	X	-	-	X	-	-	X	-	-	X	3.182	22	X	44	0	
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	34	0	X	16	0	
B.4 Other	-	X	-	497	X	3	15.101	X	16	-	X	-	74.882	X	715	24.340	X	
TOTAL	-	-	-	497	-	3	15.101	-	16	-	-	-	78.615	45	715	24.423	0	
TOTAL 31/12/2013	1.462.860	0	0	8.254	3	61	557.046	2.741	190	13.292	-	-	1.663.643	239.749	10.848	960.889	35.479	6
TOTAL 31/12/2012	1.162.306	-	-	-	-	-	434.390	-	1	1.018	-	-	35.840	1.031	72	309.362	2.569	

B.2 Distribution of on- and off-balance sheet exposures to customers by geographic area

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	143.762	210.041	703	3.591	-	3	-	-	208	19
A.2 Substandard loans	119.596	55.937	624	537	3	1	12	4	-	-
A.3 Restructured positions	11.165	2.380	-	-	-	-	-	-	-	-
A.4 Past due positions	20.960	5.381	115	30	-	-	-	-	-	-
A.5 Other	4.237.418	16.899	11.729	85	406	2	466	4	179	1
TOTAL	4.532.901	290.639	13.172	4.243	409	6	478	7	387	21
B. Off-balance-sheet exposures										
B.1 Bad debts	540	23	-	-	-	-	-	-	-	-
B.2 Substandard loans	3.238	22	-	-	-	-	-	-	-	-
B.3 Other impaired assets	50	1	-	-	-	-	-	-	-	-
B.4 Other	114.747	783	73	1	-	-	-	-	-	-
TOTAL	118.576	829	73	1	-	-	-	-	-	-
TOTAL 31/12/2013	**4.651.477**	**291.468**	**13.245**	**4.244**	**409**	**6**	**478**	**7**	**387**	**21**
TOTAL 31/12/2012	**1.942.441**	**4.418**	**475**	**2**	**-**	**-**	**-**	**-**	**-**	**-**

	ITALY NORTHWEST		ITALY NORTHEST		ITALY CENTER		ITALY SOUTH AND ISLANDS	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures								
A.1 Bad debts	1.380	5.131	136.357	196.449	5.673	7.643	351	819
A.2 Substandard loans	5.424	979	107.362	52.049	6.592	2.847	217	63
A.3 Restructured positions	-	-	11.165	2.380	-	-	-	-
A.4 Past due positions	1	0	20.733	5.323	98	25	128	33
A.5 Other	24.993	189	2.512.682	16.646	1.698.702	56	1.041	8
TOTAL	31.798	6.299	2.788.299	272.847	1.711.066	10.570	1.738	923
B. Off-balance-sheet exposures								
B.1 Bad debts	-	-	540	23	-	-	-	-
B.2 Substandard loans	-	-	3.078	22	137	-	23	-
B.3 Other impaired assets	-	-	50	1	-	-	-	-
B.4 Other	19.807	4	94.626	776	90	1	225	2
TOTAL	19.807	4	98.294	822	227	1	247	2
TOTAL 31/12/2012	4.634	22	661.435	4.392	1.276.314	1	58	3

B.3 Distribution of on- and off-balance sheet exposures to banks by geographic area

	ITALY		OTHER EUROPEAN		AMERICA		ASIA		REST OF WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured positions	-	-	-	-	-	-	-	-	-	-
A.4 Past due positions	-	-	-	-	-	-	-	-	-	-
A.5 Other	185.584	-	13.652	-	3.164	-	-	-	51	-
TOTAL	185.584	-	13.652	-	3.164	-	-	-	51	-
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	3.791	-	604	-	1	-	-	-	-	-
TOTAL	3.791	-	604	-	1	-	-	-	-	-
TOTAL 31/12/2013	189.375	-	14.256	-	3.164	-	-	-	51	-
TOTAL 31/12/2012	941.570	-	53	-	-	-	-	-	-	-

	ITALY NORTHWEST		ITALY NORTHEST		ITALY CENTER		ITALY SOUTH AND ISLANDS	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures								
A.1 Bad debts	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-
A.3 Restructured positions	-	-	-	-	-	-	-	-
A.4 Past due positions	-	-	-	-	-	-	-	-
A.5 Other	93.286	-	25.136	-	66.444	-	719	-
TOTAL	93.286	-	25.136	-	66.444	-	719	-
B. Off-balance-sheet exposures								
B.1 Bad debts	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other	67	-	661	-	3.063	-	-	-
TOTAL	67	-	661	-	3.063	-	-	-
TOTAL 31/12/2012	93.353	-	25.797	-	69.506	-	719	-

B.4 Large exposures

	31/12/2013	31/12/2012
Amount - Book value	3.165.949	3.601.107
Amount - Weighted value	136.305	248.316
Number	7	7

In accordance with the Bank of Italy's instructions set forth in the letter dated 28 February 2011, the amount of “risk positions” that qualify as “large exposures” is disclosed on the basis of both carrying amounts and weighted value. The new supervisory provisions also require that the top 20 exposures to customers or groups of related customers and the top ten exposures to customers or groups of related customers in industries other than banking and finance must disclosed at the consolidated level.

C. SECURITISATIONS AND ASSET DISPOSALS

C.1 SECURITISATIONS

This section is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

C.2 TRANSFERS

C.2.1 - Financial assets sold but not derecognised

	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale			Financial assets held to maturity			Due from banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/13	31/12/12
A. Cash asseets	-	-	-	-	-	-	1.134.237	-	-	87.896	-	-	-	-	-	-	-	-	1.222.133	1.080.537
1. Debt securities	-	-	-	-	-	-	1.134.237	-	-	87.896	-	-	-	-	-	-	-	-	1.222.133	1.080.537
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCIS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2013	-	-	-	-	-	-	1.134.237	-	-	87.896	-	-	-	-	-	-	-	-	1.222.133	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2012	-	-	-	-	-	-	993.942	-	-	86.595	-	-	-	-	-	-	-	-	1.080.537	1.080.537
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A = financial assets sold 100% recognised (carrying amounts). B = financial assets sold partly recognised (carrying amounts). C = financial assets sold partially recognised (full amount).

C.2.2 - Financial liabilities in respect of financial assets sold but not derecognised

	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1. Deposits from customers	-	-	1.166.129	91.369	-	-	1.257.498
a) relating to fully recognised assets	-	-	1.166.129	91.369	-	-	1.257.498
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from Banks	-	-	-	-	-	-	-
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2013	**-**	**-**	**1.166.129**	**91.369**	**-**	**-**	**1.257.498**
Total 31/12/2012	**-**	**-**	**1.026.838**	**89.688**	**-**	**-**	**1.125.490**

D. CREDIT RISK MEASUREMENT MODELS

Please refer to the qualitative disclosures on credit risk for further information.

SECTION 2 - MARKET RISKS

The Bank's investment policy is inspired by the goal of limiting market risk in its various forms (interest-rate risk, price risk and exchange-rate risk).

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

The trading book, as defined in supervisory reporting rules, includes financial instruments subject to capital requirements for market risks.

QUALITATIVE DISCLOSURES

A. General aspects

The trading book is extremely modest in amount and consists almost entirely of bonds (approximately €2 million) and equities (approximately €400 thousand).

The Group does not hold positions in structured loan products (collateralised debt obligations, commercial mortgage-backed securities or exposures to sub-prime and alt-A mortgages). Likewise, there are ties whatsoever to special-purpose entities with exposures to risky financial instruments.

B. Interest-rate and price-risk management processes and measurement methods

The Group's investment policy is aimed at limiting market risk for those components of such risk that it knowingly intends to assume:

- interest-rate risk;
- price risk; and
- exchange-rate risk.

The Group does not normally assume positions that entail commodity risk.
In accordance with the mission of a group focused on retail customers, financing activity is essentially aimed at protecting the overall financial balance of the Bank and Group. Investment and trading activity is conducted in accordance with the guidelines established at the relevant Group levels and is carried out within a comprehensive system of delegated powers and specific rules setting operational restrictions in terms of instruments, amounts, investment markets, types of security and issuer, sector and rating.
The investment policies pursued by the Group resulted in the retention of a significant amount of government bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity reserve. Most of the securities concerned have been included among assets available for sale. At the same time, the extremely limited size of the portfolios classified among assets held for trading means that the exposure to price risk associated with the securities held in those portfolios is virtually negligible.

QUANTITATIVE DISCLOSURES

1. Supervisory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and derivatives

Denominated in euro

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	825	4.125	-	-	383	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	825	4.125	-	-	383	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	-	(19.971)	60	198	(735)	-	-	-
3.1 With underlying security	-	580	-	153	(735)	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	580	-	153	(735)	-	-	-
+ long positions	-	888	-	153	10	-	-	-
+ short positions	-	308	-	-	745	-	-	-
3.2 Without underlying security	-	(20.551)	60	45	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	16	23	32	53	349	263	51	-
+ short positions	16	23	32	53	349	263	51	-
- Other derivatives	-	(20.551)	60	45	-	-	-	-
+ long positions	-	3.518	7.497	284	2.040	2.770	1.900	-
+ short positions	-	24.069	7.437	239	2.040	2.770	1.900	-

Denominated in other currencies

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	0	0	-	-	0	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	0	0	-	-	0	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	-	(2.589)	- 59	- 43	(1)	-	-	-
3.1 With underlying security	-	- 0	-	0	(1)	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	- 0	-	0	(1)	-	-	-
+ long positions	-	0	-	0	- 0	-	-	-
+ short positions	-	0	-	-	1	-	-	-
3.2 Without underlying security	-	(2.589)	(59)	(44)	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	(0)	(0)	-	-	-	-	-	-
+ short positions	(0)	(0)	-	-	-	-	-	-
- Other derivatives	-	(2.589)	(59)	(44)	-	-	-	-
+ long positions	-	-	87	22	(0)	-	-	-
+ short positions	-	2.589	145	65	- 0	-	-	-

2. Trading book: on-balance sheet exposures to equities and CIUs

Not applicable.

2. Supervisory trading book: distribution of exposures in equities and equity indices by main country of listing

	ITALY	Unlisted
A. Equity instruments		
+ long positions	18	
+ short positions		
B. Forward value equity trades		
+ long positions		
+ short positions		
C. Other derivatives on equity		
+ long positions		
+ short positions		
D. Derivatives on equity indexes		
+ long positions		
+ short positions		

2.2 INTEREST-RATE RISK AND PRICE RISK – BANKING BOOK
QUALITATIVE DISCLOSURES

The banking book consists of all financial assets and liabilities not included in the trading book. The largest item consists of loans to and amounts due to banks and customers.

A. General aspects, interest rate risk and price risk management processes and measurement methods
The process of managing the interest rate risk associated with the banking book is governed by specific company regulations approved by the Parent Company's Board of Directors and subject to periodic review. Those Regulations aim to set general rules for managing interest rate risk for the assets and liabilities included within the banking book, as defined by supervisory regulations for the purposes of determining pillar two capital requirements (namely, all liabilities and assets other than those allocated to the regulatory trading book) and assign precise responsibilities and tasks to the various organisational units of the Bank and companies involved in the process.
Management of interest rate risk aims to limit the impact of unfavourable changes in the rate curve on both the economic value of assets and on the cash flows generated by line items. Containment of exposure to interest rate risk is pursued primarily by applying consistent parameters to assets and liabilities, and in particular by indexing a large portion of its assets and liabilities on money-market parameters (typically the Euribor rate), as well as the general balancing of the durations of assets and liabilities on low levels.
Measurement of the interest rate risk associated with the banking book is founded upon economic value, defined as the present value of the expected net cash flows generated by assets, liabilities and off-balance sheet positions. In particular, exposure to the interest rate risk associated with the banking book is monitored for the purposes of determining the associated capital absorption on the basis of the Bank of Italy's regulatory model, applied at both a separate and consolidated level.
Exposure to interest-rate risk is calculated by measuring the change in the economic value of the banking book resulting from hypothetical instantaneous shifts in the interest rate maturity curve. The shift in the interest rate structure is quantified in two distinct situations:

- in ordinary conditions, reference is made to the annual changes for each node of the interest rate structure recorded over an observation period of six years, alternatively considering the 1st percentile (downward shift) and 99th percentile (upwards shift); and
- in a stress scenario, reference is made to a parallel shift in the interest rate structure of ± 200 basis points.

The changes are then normalised in relation to regulatory capital.

B. Fair-value hedging
Fair-value hedging is used to cover the interest-rate risk on lending and funding items originated at a fixed rate with a medium-/long-term maturity. Interest-rate risk hedging activity through OTC derivative financial instruments was almost entirely discontinued in December 2012. At the beginning of the year, only one hedge of asset items (loans to customers) by the Parent Company remained outstanding. This hedge was then closed out in January 2013. Since then, no hedging derivative contracts have been entered into.

C. Cash-flow hedging
No cash-flow hedges have been undertaken and there are no open cash-flow hedges.

QUANTITATIVE DISCLOSURES

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities

Denominated in euro

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 y	more than 10 years	unspecified maturity
1. Assets								
1.1 Debt securities	-	327.259	365.294	17.345	744.003	82.121	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	327.259	365.294	17.345	744.003	82.121	-	-
1.2 Loans to banks	71.992	50.725	-	-	-	2.039	-	-
1.3 Loans to customers	598.658	1.810.768	349.700	44.198	166.369	53.709	54.876	-
- current acct.	512.845	48.037	7.471	6.911	30.197	-	-	-
- other loans	85.814	1.762.731	342.230	37.288	136.173	53.709	54.876	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	85.814	1.762.731	342.230	37.288	136.173	53.709	54.876	-
2. Liabilities								
2.1 Due to customers	1.389.488	1.377.023	42.071	65.722	55.520	-	-	-
- current acct.	1.318.959	119.526	41.440	65.722	55.520	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	70.529	1.257.498	631	-	-	-	-	-
2.2 Due to banks	67.163	859.995	13.405	307	20.057	31.433	5.424	-
- current acct.	31.078	-	-	-	-	-	-	-
- other payables	36.085	859.995	13.405	307	20.057	31.433	5.424	-
2.3 Debt securities	46.792	208.253	71.342	121.447	267.553	14.896	-	-
- with early redemption option	-	-	40	-	-	-	-	-
- other	46.792	208.253	71.302	121.447	267.553	14.896	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 yea	more than 10 years	unspecified maturity
1. Assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	4.231	-	-	-	-	-	-	-
1.3 Loans to customers	463	-	3.085	-	337	-	-	-
- current acct.	1	-	-	-	-	-	-	-
- other loans	463	-	3.085	-	337	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	463	-	3.085	-	337	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	28.465	-	165	-	65	-	-	-
- current acct.	28.465	-	165	-	65	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	138	-	-	-	-	-	-	-
- current acct.	80	-	-	-	-	-	-	-
- other payables	58	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other sensitivity analysis methods
The capital requirement for interest-rate risk on the banking book is calculated by applying the simplified model indicated in Schedule C to Title III, Chapter 1 of Bank of Italy Circular No. 263/2006, in force through 31 December 2013.
This calculation is performed by classifying fixed-rate assets and liabilities in accordance with the supervisory model into 14 time bands on the basis of their residual lives and classifying floating-rate assets and liabilities into the various time bands according to the date of renegotiation of the interest rate. Within each band, asset and liability positions are multiplied by weighting factors and then set off against one another, resulting in a net position. Exposure to interest-rate risk for the purpose of determining the capital requirement is then calculated by measuring the change in the value of the banking book caused by hypothetical instantaneous shifts in the interest rate maturity curve in a scenario of ordinary conditions. To that end, use is made of the annual changes for each node of the interest rate structure recorded over an observation period of six years, alternatively considering the 1^{st} percentile (downward shift) and 99^{th} percentile (upward shift).
On the basis of the application of the Bank of Italy's regulatory model, the change in capital in both ordinary and stress conditions was always found to be positive, and thus internal capital to account for interest rate risk is equal to zero at the consolidated level.

2.3 EXCHANGE-RATE RISK
QUALITATIVE DISCLOSURES

Exposure to exchange-rate risk, determined using a method founded upon supervisory regulations, is negligible in extent.

A. General aspects, foreign-exchange risk management processes and measurement methods
Exchange-rate risk applies to transactions with customers and banks. Operational management involves real-time monitoring of the exposure in various currencies, systematically hedging positions on the market as required to minimise the exposure to exchange-rate risk.

B. Exchange-rate risk hedging

All foreign currency positions generated by relations with Group customers are handled together by analysing open gaps (un-netted positions), which are typically kept essentially at zero through market hedging transactions.

QUANTITATIVE DISCLOSURES
1. Distribution by currency of assets, liabilities and derivatives

	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets	**4.270**	**2.187**	**1.089**	**262**	**28**	**281**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	3.269	392	41	262	28	240
A.4 Loans to customers	1.001	1.794	1.048	-	-	41
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**221**	**112**	**50**	**7**	**77**	**28**
C. Financial liabilities	**26.590**	**1.115**	**652**	**269**	**95**	**111**
C.1 Due to banks	51	0	20	6	61	0
C.2 Due to customers	26.539	1.115	632	263	35	111
C.3 Due to customers	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other	-	-	-	-	-	-
+ Long positions	23.006	-	5	6	-	128
+ Short positions	929	1.199	489	6	-	176
Total assets	**27.496**	**2.299**	**1.144**	**275**	**104**	**436**
Total liabilities	**27.519**	**2.315**	**1.141**	**275**	**95**	**288**
Difference (+/-)	**(22)**	**(16)**	**4**	**(0)**	**9**	**149**

2.4 DERIVATIVES
A. FINANCIAL DERIVATIVES
A.1 Supervisory trading book: end-period and average notional amounts

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-	-	-	-
a) Options	29.099	-	-	-
b) Swaps	15.176	-	-	-
c) Forwards	1.051	-	8.420	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	205
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	25.943	-	15.158	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
TOTAL	71.269	-	23.578	205
AVERAGE VALUES	-	-	-	-

A.2 Banking book: end-period and average notional amounts
A.2.1 Hedging

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	20.000	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
TOTAL	-	-	20.000	-
AVERAGE VALUES	-	-	-	-

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

	Positive Fair value			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	362	-	-	-
b) Interest rate swaps	431	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	78	-	54	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	871	-	54	-

A.4 Financial derivatives: gross negative fair value – distribution by product

	Negative Fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	156	-	-	-
b) Interest rate swaps	662	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	147	-	46	-
f) Futures	-	-	-	-
g) Others	0	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	2.915	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	965	-	2.961	-

A.5 OTC financial derivatives – supervisory trading book: notional values, gross positive and negative fair values by counterparty – contracts not based on netting arrangements

Contracts not based on netting arrangements	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other counterparties
1. Debt securities and interest rates	**-**	**8.581**	**22.955**	**-**	**-**	**14.349**	**1.086**
- notional amount	-	8.375	22.137	-	-	13.762	1.051
- positive fair value	-	206	139	-	-	448	34
- negative fair value	-	-	679	-	-	139	2
- future exposure	-	53	215	-	-	28	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	**-**	**-**	**25.168**	**-**	**-**	**217**	**747**
- notional amount	-	-	25.027	-	-	216	700
- positive fair value	-	-	16	-	-	0	27
- negative fair value	-	-	125	-	-	1	20
- future exposure	-	-	-	-	-	2	7
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives – regulatory trading book: notional values, gross positive and negative fair values by counterparty – contracts based on netting arrangements
Not applicable.

A.7 OTC financial derivatives – banking book: notional values, gross positive and negative fair values by counterparty – contracts not based on netting arrangements
Not applicable.

A.8 OTC financial derivatives – banking book: notional values, gross positive and negative fair values by counterparty – contracts based on netting arrangements
Not applicable.

A.9 Residual maturity of OTC financial derivatives: notional values

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**34.410**	**12.836**	**24.023**	**71.269**
A.1 Financial derivatives on debt securities and interest rates	8.466	12.836	24.023	45.325
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	25.943	-	-	25.943
A.4 Financial derivatives - other	-	-	-	-
B. Banking book	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on foreign exchange rates and gold	-	-	-	-
B.4 Financial derivatives - other	-	-	-	-
Total 31/12/2013	**34.410**	**12.836**	**24.023**	**71.269**
Total 31/12/2012	**23.578**	**-**	**20.000**	**43.578**

B. CREDIT DERIVATIVES

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

C. CREDIT AND FINANCIAL DERIVATIVES

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

SECTION 3 – LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is not attributable to specific items of the balance sheet; rather, it arises from mismatches of amount and/or date between cash inflows and outflows generated by all assets, liabilities and off-balance sheet items. It is thus a risk inherent in the Bank’s operations and derives essentially from what is known as the “maturity transformation.”

Liquidity risk generally manifests itself in the form of the breach of payment obligations, which may be caused by the inability to procure funds (funding liquidity risk) or the existence of limits on the liquidation of assets (market liquidity risk).

Liquidity risk also includes the risk that an entity may be forced to discharge its payment obligations at non-market costs, meaning that it may be forced to bear a high cost of funding or (in some cases, concurrently) sustain capital losses when liquidating assets.

Since all core banking business process are associated with potential liquidity risk, all Group companies are exposed to liquidity risk.

The process of containing exposure to liquidity risk, which aims to ensure the Group’s solvency even in especially acute situations of tension, is primarily pursued through a complex set of management decisions and organisational measures, the most significant of which are:

- a constant focus on the financial situations of the Group with respect to a balanced structure of asset and liability maturities, especially with regard to shorter-term assets and liabilities;
- diversification of sources of funding in terms of technical forms as well as counterparties and markets. The Group intends to maintain high and very stable retail funding level in the form of both deposits and debt securities distributed directly through the branch network, thus pursuing the strategic goal of reducing dependency on market funds (interbank funding and issues intended for institutional investors);
- a portfolio of highly liquid assets eligible as collateral for financing transactions or directly disposable in situations of tensions, formed in part using securities resulting from the securitisation of the Group's assets; and
- the preparation of a Contingency Funding Plan.

Operational management of liquidity risk is the responsibility of the Finance Department, through the Finance Service, in line with the funding policy and directives of a strategic nature laid down by the ALCo, which meets with at least monthly frequency. This activity involves the use of appropriate tools for monitoring and surveying operating profiles for liquidity risk.

Through the Operating and Financial Risks Office, the Risk Management Service is responsible for structural aspects and stress analyses, as well as monitoring of the operational limits set by internal rules.

Assessment of liquidity risk exposure aims to evaluate an entity's capacity to respond to an outflow of such resources in the light of the maturity structure of its on-balance sheet assets and liabilities. Liquidity is monitored by determining the maturity ladder, which shows the cumulative total cash balance during each of the forecasting periods. This balance is the sum of cash inflows and outflows for each maturity bracket.

Furthermore, in addition to the ordinary liquidity situation, the Bank conducts simulations of adverse stress scenarios caused by forms of tension in the financial system generally or specific significant changes in the Bank's financial aggregates. Moreover, the Group's Contingency Funding Plan (CFP) defines and formally establishes the organisational escalation procedure, goals and management mechanisms required to protect the company's assets in situations of extreme, unforeseen depletion of liquidity through the preparation of crisis management strategies and fund-raising procedures.

QUANTITATIVE DISCLOSURES

1. Distribution of financial assets and liabilities by residual maturity - Denominated in euro

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets										
A.1 Government securities	-	-	1.350	34.907	8.850	10.513	22.181	1.256.259	75.000	-
A.2 Other debt securities	833	-	0	3.049	1.753	1.973	29.104	43.256	975	-
A.4 Units in collective investment undertakings	16.568	-	-	-	-	-	-	-	-	-
A.5 Loans	614.833	108.422	9.566	101.848	132.378	112.072	172.786	800.156	1.229.085	5.272
- banks	72.144	0	6	46.392	2	3	2	-	2.000	5.272
- customers	542.689	108.422	9.560	55.455	132.376	112.069	172.784	800.156	1.227.085	-
On-balance-sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits	1.417.161	15.294	18.343	36.847	51.810	42.192	67.583	55.179	-	-
- banks	67.480	-	200	120	71	55	40	31	-	-
- customers	1.349.681	15.294	18.143	36.727	51.739	42.137	67.543	55.148	-	-
B.2 Debt securities	175	27.519	24.230	6.993	114.134	28.969	101.980	426.950	29.640	-
B.3 Other liabilities	108	71.033	777.672	411.650	685	3.288	13.478	958.182	46.881	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	1.598	22.593	2.014	638	256	249	820	-	-
- long positions	-	1.257	-	1.898	351	148	217	10	-	-
- short positions	-	341	22.593	116	287	108	32	810	-	-
C.2 Financial derivatives without exchange of cap	6.186	-	-	-	-	-	-	-	-	-
- long positions	3.081	-	-	-	-	-	-	-	-	-
- short positions	3.105	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	2.172	125	-	123	543	49	1.215	541	38	-
- long positions	473	-	-	123	1	10	1.215	541	38	-
- short positions	1.699	125	-	-	541	38	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of princip	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual maturity - Denominated in other currencies

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.5 Loans	4.698	546	58	347	2.165	345	-	-	-	-
- banks	4.231	-	-	-	-	-	-	-	-	-
- customers	467	546	58	347	2.165	345	-	-	-	-
On-balance-sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits	28.544	-	56	-	109	65	-	-	-	-
- banks	80	-	-	-	-	-	-	-	-	-
- customers	28.465	-	56	-	109	65	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	58	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	547	22.478	1.985	614	232	87	-	-	-
- long positions	-	173	22.478	104	280	87	22	-	-	-
- short positions	-	373	-	1.881	334	145	65	-	-	-
C.2 Financial derivatives without exchange of capita	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. Disclosure concerning committed on-balance sheet assets

Technical form	Tied up		Not tied up		Total
	BV	FV	BV	FV	31.12.2013
1. Cash and cash equivalents	-	X	20.020	X	20.020
2. Debt instruments	2.020.203	2.262.346	326.450	326.396	2.346.653
3. Equity instruments	-	-	58.879	18	58.879
4. Loans	910.686	X	2.300.466	X	3.211.152
5. Other financial assets	-	X	56.666	X	56.666
6. Non-financial assets	-	X	-	X	-
Total as at 31/12/2013	**2.930.889**	**2.262.346**	**2.742.462**	**326.414**	**5.693.371**

Key: *BV = book value; FV = fair value*

3. Owned committed off-balance sheet assets

Technical form	Tied up	Not tied up	Total
1. Financial assets			
- Securities	974.322	957.018	1.931.340
- Other			
2. Non-financial assets			
Total as at 31/12/2013	**974.322**	**957.018**	**1.931.340**

Securitisation

Within the framework of the various measures aimed at enhancing coverage of exposure to liquidity risk, the Group has undertaken securitisation transactions with the goal of increasing the degree of liquidity of its assets and prudentially increasing its pool of financial instruments eligible for refinancing operations with the European Central Bank, or otherwise suited for use as collateral in funding transactions beyond the short term with institutional and market counterparties.

In accordance with these aims, the asset-backed securities issued by the vehicle companies incorporated pursuant to Law 130/99 have been fully subscribed for, for both the senior and junior tranches, by the banks that in turn sold the underlying loans without recourse (Banca di Cividale S.p.A., subsequently incorporated into Banca Popolare di Cividale S.c.p.A.).

The following table provides an overview of the securitisation transactions undertaken.

Main information	
Date of transaction	May 2009
Special purpose entities	Quadrivio Finance S.r.l. (spv)
Subject matter of the transaction	commercial mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group Credito Valtellinese Group
Original aggregate amount of transferred loans and receivables	1.366 mln
of which Banca Popolare di Cividale Group	243 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group and by the Credito Valtellinese Group	1.317 mln
of which junior securities b	224 mln
Rating of senior securities	AAA Fitch
Securities issued and subscribed by the Banca Popolare di Cividale Group	234 mln
of which senior securities a	187 mln
of which junior securities b	47 mln
Overall residual notional amount of the securities as at 31/12/2013	120 mln
Residual values of loans and receivables as at 31/12/2013	126 mln
Rating of senior securities as at 31/12/2013	AA+ Fitch - A2 Moody's

Main information	
Date of transaction	February 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale Group	383 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group	398 mln
of which senior securities a	310 mln
of which junior securities b	88 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Residual values of loans and receivables as at 31/12/2013	335 mln
Rating of senior securities as at 31/12/2013	AA Standard&poor's - A2 Moody's

Main information	
Date of transaction	July 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential and commercial mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale Group	410 mln
Securities issued and subscribed by the Banca Popolare di Cividale Group	418 mln
of which senior securities a	273 mln
of which junior securities b	143 mln
Rating of senior securities	A+ Standard&poor's - AL DBRS
Residual values of loans and receivables as at 31/12/2013	313 mln
Rating of senior securities as at 31/12/2013	A+ Standard&poor's - AL DBRS

Considering that the asset-backed securities currently in issue have been fully subscribed for by the originating banks, the Group has not transferred any credit risk. Accordingly, since essentially all of the risks and rewards associated with the transferred portfolio have been retained, the loans concerned have not been derecognised. However, given the structure of the transactions, there exists the specific risk of cross-collateralisation due to the presence of multi-originator transactions. In fact, the Bank is exposed to a potential additional risk associated with the possible deterioration in excess of expectations of the portfolio of loans securitised by the other banks involved in the transactions. In the case of the Quadrivio Finance S.r.l. transaction, that potential exposure also extends to entities external to the Group (Credito Valtellinese). However, there is no basis for believing that cross-collateralisation risk has undergone significant change.

SECTION 4 - OPERATIONAL RISKS
QUALITATIVE DISCLOSURES

A. General aspects, operational risk management processes and measurement methods

Operational risk management is one component of the integrated risk management strategy that aims at containing the total risk level, including by preventing such risks from propagating and transforming. Operational risks, which constitute a highly heterogeneous class, are not typical of banking or business activity. The origin of these risks may be either internal or external, and they may extend beyond the company itself. The definition adopted by the Bank, in line with supervisory regulations, identifies operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Such risks include losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters. Operational risk includes legal risk but not strategic or reputational risk. Operational risk management activity is based on the following guiding principles:

- improving overall operational efficiency;
- preventing the occurrence or reducing the likelihood of events that could potentially generate operational losses through appropriate regulatory, organisational, procedural and training actions; attenuating the expected effects of such events;
- transferring risks that the Group does not wish to retain through insurance contracts; and
- protecting the Group's reputation and brand.

The Group adopts the basic method (BIA – Basic Indicator Approach) specified by regulations to determine capital requirements.

The Risk Management Service, Operational and Financial Risks Office, is responsible for measuring and assessing operational risk. It does so at a centralised level for all Group companies. The approach adopted for managing operational risk takes a combined, bottom-up view of the components identified by the prudential regulations for the advanced measurement approaches:

- internal operational loss data: the main component in the construction of an operational risk management system;
- external operational loss data: given that not all types of events indicated by international regulations are applicable to or of statistical significance for all intermediaries, consortium databases have been established at both an international and domestic level to contain reports of operating losses from participants; in Italy, at the initiative of the Italian Banking Association, the Italian Operating Loss Database was established. The Group participates in the Database as a "total group member." The data contained in the Database allow participants to monitor the performance of operating losses within the Italian banking industry by business line and sales channel, as well as to extract parameters concerning probability distributions, enjoy access to the aggregation of data by homogeneous group for benchmarking purposes and expand the data included in their historical series.

Risk is contained through regulatory, organisational and procedural actions. Problem areas are identified by analysing all of the data from the various sources. Those responsible for activities in which problems have been identified are required to provide further information in order to develop appropriate corrective actions. Some types of operational risk are mitigated using appropriate insurance contracts. In addition, the Group has implemented a business continuity plan that sets out the principles, establishes the objectives and describes the procedures for managing all the corrective actions for reducing losses resulting from accidents or disasters to an acceptable level.

B. Legal risks

The risks associated with the legal disputes involving the Bank and Group companies are constantly monitored. If a legal and accounting analysis suggests an adverse outcome with a likely liability for damages, the Group makes as reliable an estimate of damages as possible and allocates a provision as a precaution. The following paragraphs describe the most complex and important legal disputes.

Disputes involving bond defaults

The insolvency of the Argentinean central and local governments from 2001 to 2003, as well as of major Italian companies such as Parmalat, Cirio and Giacomelli, triggered a series of disputes, including legal action, brought by customers who purchased these defaulted bonds. Banca di Cividale has always been sensitive to criteria of fairness and economy, avoiding futile, wasteful litigation and taking into account the trends in legal interpretation that have emerged over time. Within this context, the Bank has frequently engaged in settlement negotiations in response to claims brought to its attention or in parallel with judicial action. In some cases, given the special circumstances of the dispute, the Bank has decided to pursue the matter in court. In all cases, however, based on an a priori analysis of the dispute and the type of bond involved, the Bank makes the necessary provisions.

Disputes involving revocatory actions

The recent bankruptcy reform, later amended by the so-called "corrective degree," certainly limited the scope of the action performed by receivers pursuant to Article 67 of the Bankruptcy Law. However, there are still a number of revocatory actions governed by the pre-reform law, as provided for under the transitional regulations. In these cases, the Group uses careful, considered negotiations founded upon a thorough analysis of the actual assumptions on which the action is based, i.e. the satisfaction of both subjective and objective elements. Specifically, the Bank usually performs preventive accounting assessments to determine the amount of risk and to make the necessary prudent provisions.

SECTION 5 - OTHER RISKS

In addition to the risks described above, the Bank is exposed to the following other risks.

Excessive financial leverage risk
Excessive financial leverage risk is defined by prudential regulations as "the risk that a particularly high level of indebtedness with respect to equity may render the Bank vulnerable, requiring the adoption of corrective measures to its industrial plan, including the sale of assets involving the recognition of losses that could also entail impairment of the remaining assets."
Excessive financial leverage risk affects the entirety of the financial statements, exposures resulting from the use of derivatives and off-balance sheet assets and is assumed in the conduct of core business. It is closely correlated with planning and capital management activity.

Sovereign risk
Investment in Italian government securities, almost all of which are classified to the AFS portfolio, entails the exposure to the credit risk of the Italian Republic, which, as for all other issuers, may manifest itself in the form of decreased creditworthiness or, in the extreme scenario, default. Exposure is regularly monitored and reported on to company bodies. The prospective development of the sovereign risk exposure profile is assessed by considering adverse scenarios of various intensities, based in part on historical simulations, as well as the impact thereof on the value of the portfolio and regulatory capital. In the projected stress scenarios, regulatory capital would remain above the regulatory minimum, even in the absence of prudential filters.

Strategic risk
Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. Exposure to strategic risk is not associated with specific operating activities, but rather the adequacy of the decisions made and the efficacy of implementation. The risk is particularly associated with the phases of determining and implementing company strategies represented by the formulation of the business plan, commercial planning, budgeting, management control and monitoring of the markets and competitive scenario, capital allocation and capital management.

Compliance risk
Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes). The Bank regards the adoption of the highest standards of compliance with laws and regulations as a distinctive trait of its corporate identity, an expression of its corporate social responsibility, a safeguard aimed at maintaining its reputation over time and an effective contribution to the process of creating value. Compliance risk management is based on the Compliance Model and Compliance Plan. The Compliance Model pursues the primary goal of setting up a well-organised, organic system of organisational and control principles and procedures suited to preventing, managing or mitigating the risk of non-compliance with external and internal rules.

Money-laundering risk
Money-laundering risk is the risk of suffering consequences in legal and reputational terms as a result of possible involvement in illegal transactions associated with money-laundering or financing for terrorism. In order to measure and assess that risk, the money-laundering risks inherent in the Bank's operational procedures pertaining to the following processes have been mapped:
- adequate customer verification;
- dealings in cash and bearer securities;
- records in the Consolidated Computer Archive; and
- the reporting of suspicious transactions.

Given the objective significance of money-laundering risk and the increasing complexity of the legislative framework of reference and resulting obligations, the Bank has gradually enhanced its safeguards in terms of rules, organisational measures, procedures, applications and training.

Reputation risk
Reputation risk is the current or prospective risk of a decline in net income or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank. Employees, society and the community are also considered when performing company analyses. By the same token, reputation is an essential intangible resource, and it is regarded by the Group as a distinctive component of a lasting competitive advantage. Accordingly, the Board of Directors has set the management objective of minimising exposure to reputation risk. Reputation risk primarily relates to relations with stakeholders and the community. It may also arise from factors outside the scope of the company organisation and beyond the Bank's control (for example, the dissemination of inaccurate or baseless information or phenomena concerning the system that affect individual institutions without distinction). The first and most fundamental safeguard against reputation risk is the shared system of values, principles and rules of conduct on which to base behaviour common to all of the Bank's stakeholders. That system is expressly illustrated in the Code of Conduct adopted since 2004 in the context of the Governance and Control Model pursuant to Legislative Decree No. 231/2001, as subsequently updated.

Related–party risk
Related-party risk is 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, exposure of the Bank to inadequately measured or managed risks and potential damages for depositors and shareholders.
In order to safeguard objective, impartial decision-making and avoid distortions of the allocation process, the Bank has adopted rigorous procedures and stricter limits than legally mandated, which are subject to regular monitoring. There were no breaches of authorisation limits or alert levels during the year.

Property risk
Property risk is the current or prospective risk of potential losses due to fluctuations in the value of the Group's proprietary real-estate portfolio, or to the reduction of the income generated by that portfolio.
The Group does not assume property risk for investment purposes. The Group's proprietary real-estate portfolio represents a residual component of total consolidated assets and consists mostly of properties used in business operations. This risk is mitigated through management and maintenance measures aimed at

safeguarding the functionality and value of the assets and is partially transferred through insurance policies covering owned properties.

Outsourcing risks

The use of outsourcing of company functions, processes, services or activities entails a thorough assessment of the risks and the implementation of appropriate safeguards and containment measures. The risks potentially arising from outsourcing are generally operational, compliance, strategic and reputation risks. They therefore have been attributed to the specific types of risk identified and described above.

Chapter F – SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity of the Parent Company

A. Qualitative disclosures

The capital policy adopted by Banca Popolare di Cividale S.c.p.A. is founded upon the following approaches:
a) compliance with regulatory requirements (regulatory approach);
b) appropriate monitoring of risks associated with banking operations (management approach); and
c) support for company development projects (strategic approach).

These approaches correspond to appropriate definitions of capital, specific objectives and particular corporate functions. From a regulatory point of view, the definition of capital is that set out in supervisory regulations for banks. Ongoing compliance with minimum capital requirements, which are monitored on a regular basis and considered a constraint during planning, is an essential precondition for operations.

From the point of view of risk management – one of the key functions in banking – capital is considered the main defence against possible unexpected losses generated by a variety of risks (credit, market and operational risks) that the Bank faces. The amount of capital is optimal if it is sufficient to absorb unexpected losses estimated for a specific confidence interval, thereby guaranteeing the continuity of operations over a specified time period.

From the corporate perspective, capital is a strategic factor of production that enables the Group to pursue its entrepreneurial vocation, while at the same time preserving financial stability. As a cooperative bank with strong local roots, the Bank implements its capital policy primarily through the gradual expansion of the size and geographical spread of its shareholders.

B. Quantitative disclosures

B.1 Shareholders' equity: composition

	31/12/2013	31/12/2012	%
Share capital	51.068	50.783	0,56%
Share premium reserve	198.570	196.529	1,04%
Reserves	92.630	38.049	143,45%
- Retained earnings:	42.845	38.049	12,61%
a) legal reserve	19.208	17.797	7,93%
b) statutory reserve	29.142	21.840	33,43%
c) treasury shares	-	-	-
d) other	1.435	(1.588)	190,37%
- other	-	-	-
4. Equity instruments	-	-	-
5. (Treasury shares)	(7)	(9.740)	99,93%
6. Valuation reserves:	8.552	19.978	-57,19%
- Financial assets available for sale	5.334	16.782	-68,22%
- Property and equipment	-	-	-
- Intangible assets	-	-	-
- Hedges of foreign investments	-	-	-
- Cash flow hedges	-	-	-
- Foreign exchange differences	-	-	-
- Non current assets held for sale	-	-	-
- Actuarial gains (losses) on defined benefit plans	(47)	(69)	31,88%
- Share of valuation reserves connected with investments carried at equity	-	-	-
- Legally-required revaluations	3.265	3.265	0,00%
7. Net income (loss)	(33.850)	14.172	-338,85%
Total	**267.178**	**309.771**	**-13,75%**

B.2 Valuation reserves for financial assets available for sale: composition

	31/12/2013		31/12/2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	5.619	-	18.036	(950)
2. Equities	-	-	-	(304)
3. Quotas of UCI	-	(285)	-	-
4. Loans	-	-	-	-
Total	**5.619**	**(285)**	**18.036**	**(1.254)**

B.3 Valuation reserves for financial assets available for sale: annual change

	Debts securities	Equities	Quotas of UCI	Loans
1. Opening balance	**17.086**	**(304)**	**-**	**-**
2. Positive fair value differences	**19.994**	**3.154**	**1.045**	**-**
2.1. Fair value increases	9.728	-	11	-
2.2 Reversal to the income statement of negative reserves	-	-	-	-
- impairment	-	1.484	839	-
- disposal	1.758	-	-	-
2.3 Other changes	8.508	1.670	195	-
3. Negative fair value differences	**(31.461)**	**(2.850)**	**(1.330)**	**-**
3.1 Fair value decreases	(803)	(299)	(473)	-
3.2 Impairment losses	-	(1.670)	-	-
3.3 Reversal to the income statement of positive reserves: dispos	(26.138)	-	(1)	-
3.4 Other changes	(4.520)	(1.180)	(856)	-
4. Closing balance	**5.619**	**-**	**(285)**	**-**

Section 2 – Regulatory capital and regulatory capital ratios

Scope of application of regulations

Pursuant to supervisory instructions for calculating regulatory capital, the overall amount and composition of regulatory capital differs from shareholders' equity. The following is a brief explanation of the main differences:

- unlike shareholders' equity, regulatory capital does not include the share of profits to be distributed as dividends;
- goodwill and intangible assets other than goodwill are deducted from Tier 1 capital;
- Tier 2 capital includes subordinated loans, provided that prudential requirements have been observed;
- up to 50% of net gains on securities classified as available for sale and recognised under "Valuation reserves" may be included in Tier 2 capital; and
- equity investments in banks and financial companies or 10% or more of the investee's capital are deducted from the aggregate of Tier 1 and Tier 2 capital.

There are no restrictions or impediments on transferring components of shareholders' equity between Group companies.

2.1. Regulatory capital

A. Qualitative disclosures

The regulatory capital of Banca Popolare di Cividale consists largely of the elements of shareholders' equity and subordinated liabilities. No innovative capital instruments or hybrid capital instruments are included in regulatory capital. No third-level subordinated loans (Tier 3 capital) eligible for market-risk hedging have been issued.

1. Tier 1 capital

Tier 1 capital, including the components described above, amounted to €238,937 thousand. Tier 1 capital does not include any innovative capital instruments.

2. Tier 2 capital

After the application of prudential filters, gross Tier 2 capital stood at €64,857 thousand. Subordinated liabilities are not included in Tier 2 capital.

3. Tier 3 capital

Banca Popolare di Cividale has not issued any financial instruments eligible for inclusion in Tier 3 capital.

B. Quantitative disclosures

	31/12/2013	31/12/2012	%
A. Tier 1 capital before the application of prudential filters	**238.937**	**281.304**	**-15,1%**
B. Tier 1 capital prudential filters:	-	-	-
- positive IAS/IFRS prudential filters (+)	-	-	-
- negative IAS/IFRS prudential filters (-)	-	-	-
C. Tier 1 capital after prudential filters (A+B)	**238.937**	**281.304**	**-15,1%**
D. Elements to deduct from Tier 1 capital	(13.834)	(16.244)	-14,8%
E. Total Tier 1 capital (C-D)	**225.103**	**265.060**	**-15,1%**
F. Tier 2 capital before the application of prudential filters	**64.857**	**3.281**	**1876,7%**
G. Tier 2 capital prudential filters	-	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-	-
H. Tier 2 capital before deductions (G+F)	**64.857**	**3.281**	1876,7%
I. Elements to deduct from Tier 2 capital	(13.834)	(3.281)	321,6%
L. Total Tier 2 capital (H-I)	**51.023**	**-**	**-**
M. Elements to deduct from Tier 1 and Tier 2 capital	-	-	-
N. Regulatory capital (E+L-M)	**276.126**	**265.060**	**4,2%**
O. Tier 3 capital	**-**	**-**	**-**
P. Regulatory capital included Tier 3 (N+O)	**276.126**	**265.060**	**4,2%**

2.2 Capital adequacy

A. Qualitative disclosures

Banca Popolare di Cividale S.c.p.A. has exceeded its regulatory capital adequacy requirements. As at 31.12.2013, the ratio of tier 1 capital to risk-weighted assets stood at 13.29%. The ratio of regulatory capital to risk-weighted assets amounted to 16.31%.

B. Quantitative disclosures

	Unweighted amounts		**Weighted amounts / requirements**	
	31/12/13	**31/12/12**	**31/12/13**	**31/12/12**
A. RISK ASSETS	**6.766.060**	**4.210.333**	**2.118.931**	**596.528**
A.1 CREDIT AND COUNTERPARTY RISK	**6.766.060**	**4.210.333**	**2.188.931**	**596.528**
1. Standard methodology	**6.766.060**	**4.210.333**	**2.188.931**	**596.528**
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced			-	-
3. Securitisations			-	-
B. CAPITAL REQUIREMENTS			180.602	51.213
B.1 CREDIT AND COUNTERPARTY RISK		X	169.514	47.722
B.2 MARKET RISK		X	813	89
1. Standard methodology		X	813	89
2. Internal models		X	-	-
3. Concentration risk		X	-	-
B.3 OPERATIONAL RISK		X	10.275	3.402
1. Base methodology		X	10.275	3.402
2. Standard methodology		X	-	-
3. Advanced methodology		X	-	-
B.4 Other capital requirements		X	-	-
B.5 Reduction for banking groups		X	(45.151)	(12.803)
B.6 Total capital requirements		X	135.452	38.410
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS		**X**	**-**	**-**
C.1 Risk-weighted assets		X	1.693.145	480.131
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)		X	13,29%	55,21%
C.3 Total capital / Risk weighted assets (Total capital ratio)		X	16,31%	55,21%

Chapter G – BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CONDUCTED DURING THE YEAR

1.1 Business combinations

During the year, as already described in other parts of this document, the merger of Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. was executed within the framework of a broader plan to simplify the corporate structure of the Banca Popolare di Cividale Group approved in March 2013.

The transaction, authorised by the Bank of Italy on 31 October 2013 and approved by extraordinary sessions of the shareholders' meetings of the companies involved on 5 December 2013 (Banca di Cividale S.p.A. and NordestBanca S.p.A.) and 8 December 2013 (Banca Popolare di Cividale), was finalised on 28 December 2013 through the execution of the merger agreement, with effect for legal purposes from 30 December 2013. It was elected to backdate the effects of the merger transactions for accounting and tax purposes. The merged companies' costs and revenues were consolidated into the financial statements of Banca Popolare di Cividale effective 1 January 2013. At the effective date of the transactions, Banca Popolare di Cividale held a 100% interest in Banca di Banca di Cividale S.p.A. and 55.32% of Nordest Banca S.p.A.

The transactions in question qualify as business combinations between entities under common control, planned and executed in accordance with a reorganisation project prepared by the Parent Company. Accordingly, they are beyond the scope of application of IFRS 3 *Business Combinations*.

IAS 8 requires that in the absence of specific provisions of IASs/IFRSs entities use their judgment in applying an accounting standard that provides relevant, reliable and prudent information and reflects the economic substance of the transactions, regardless of their legal form. In accordance with those provisions, the accounting criteria for the business combinations undertaken in the context of the Group's reorganisation project, given that they do not have a significant influence on the merged companies' cash flows, preserved the continuity of values of the acquiree in the acquirer's financial statements. In particular, the values of the assets acquired and liabilities assumed have been recognised on the basis of the values presented in the consolidated financial statements of the common group to which the combining entities belong.

Merger of Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A.

The merger of Nordest Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. entered into effect on 30 December 2013. In accordance with the resolution of the extraordinary session of the Shareholders' Meeting of 8 December 2013, Banca Popolare di Cividale S.c.p.A. increased its share capital from €50,783,289 to €51,067,947 through the issue of 94,866 ordinary shares of Banca Popolare di Cividale S.c.p.A. with a par value of €3.00 each, assigned to the shareholders of Nordest Banca S.p.A. at the exchange ratio of one ordinary Banca Popolare di Cividale S.c.p.A. share per each 2.98 Nordest Banca S.p.A. shares. A total of 786,826 treasury shares held by Banca Popolare di Cividale were also used in the exchange process. Accordingly, the merger of Nordest Banca was finalised in part through the exchange of shares and in part through the cancellation of interests. The "exchange deficit" of €997,727 and the cancellation deficit of €9,300,136 were recognised, with a negative sign, among "Reserves" under line 160 of the liabilities side of the balance sheet.

The NordEst Banca shareholders who did not vote in favour of the merger resolution were granted the right to withdraw, pursuant to Art. 2437 of the Italian Civil Code, as a consequence of the change of company form and modifications of voting rights. The right to withdraw was exercised by three shareholders for a total of 7,050 ordinary shares of NordEst Banca S.p.A., accounting for 0.12% of the company's share capital. The shares in question were exchanged on 30 December 2013 for 2,364 shares of Banca Popolare di Cividale, for a total liquidation value of €34,514.40, assigned in full to the former NordEst Banca S.p.A. shareholders who exercised their option and pre-emption rights.

Merger of Banca di Cividale S.p.A. into Banca Popolare di Cividale S.c.p.A.

The merger of Banca di Cividale S.p.A. into the Parent Company, Banca Popolare di Cividale S.c.p.A., was executed concurrently.

The transaction was undertaken in simplified form pursuant to Art. 2505 of the Italian Civil Code, given that it involved the merger of a company whose capital was fully owned by Banca Popolare di Cividale at the time of the merger. The merger transaction resulted in a "merger deficit" of €6,233,414 for the surviving company, calculated by subtracting the carrying amount of the equity investment (€223,119,354) from the merged company's equity on the date on which the merger entered into effect for accounting purposes (€229,352,768).

The deficit was recognised amongst "Reserves" under item 160 of the liabilities side of the balance sheet.

The mergers entered into effect on 30 December 2013, following the registration of the merger agreement with the competent offices of the Companies Register.

The following table sets out the balance sheet situations used in the transactions described above.

	BDC SPA	NEB SPA	BDC SPA	NEB SPA	BDC SPA	NEB SPA	NEB SPA
Assets	Values at 01/01/2013	Values at 01/01/2013	Adjustment from merger	Adjustment from merger	Merger difference	Merger difference	exchange differences
Cash and cash equivalents	24.973	527					
Financial assets held for trading	9.713	-					
Financial assets available for sale	55.251	830					
Due from banks	508.076	42.445					
Loans to customers	2.140.197	263.413		1.898			
Property, plant and equipment and intangible assets	53.962	152					
Other assets	55.440	9.159					
Total assets	**2.847.614**	**316.526**	**-**	**1.898**	**-**	**-**	**-**
LIABILITIES	Values at 01/01/2013	Values at 01/01/2013	Adjustment from merger	Adjustment from merger	Merger difference	Merger difference	exchange differences
Due to banks	455.789	62.912					
Direct funding from customers	2.068.461	222.298					
Financial liabilities held for trading	2.072	-					
Hedging derivatives	-	3.372					
Other liabilities	85.977	415		610			
Specific provisions	5.962	-					
Shareholders' equity	229.353	27.529		1.288	6.233	(998)	(9.300)
Total liabilities	**2.847.614**	**316.526**	**-**	**1.898**	**6.233**	**(998)**	**(9.300)**

Carrying amount of BDC in BPC (100%)	**223.119**	
Carrying amount of NEB in BPC (55,316%)		**17.514**
Share used in the exchange process	**881.692**	

SECTION 2 – TRANSACTIONS AFTER THE BALANCE-SHEET DATE

This section is not applicable to the financial statements of Banca Popolare di Cividale.

Chapter H – TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management

The following table reports the compensation of the directors, executives and other key management personnel of the Parent Company and other Group companies. The compensation paid to directors and statutory auditors is set by specific resolutions of the shareholders' meeting.

	Monetary remuneration	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Share-based payments
Directors	744	-	-	-	-
Senior management	1.355	83	-	72	-
Management	552	27	-	30	-
Total	2.651	110	-	102	-

During the year, remuneration totalling €233 thousand accrued to members of the Board of Statutory Auditors.

2. Information on transactions with related parties

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

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

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

	SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES
Assets				
Loans to banks	-	-	-	-
Loans to customers	294.512	14.655	210	11.664
Liabilities	-	-	-	-
Due to banks	-	-	-	-
Due to customers	538	2.587	1.952	2.679
Income statement	-	-	-	-
Net interest income	4.028	263	- 13	450
Net commission income	3	76	5	131
Other revenues	-	-	-	-
Administrative expenses	-	-	977	-
Guarantees and commitments	13.344	-	-	535
Indirect funding	-	-	3.531	8.078

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

Dealings between Group companies mainly involve the provision of services, deposits and financing as part of ordinary interbank operations, as well as other contractual arrangements for assistance and advisory services and the provisions of specialist services in support of banking and financial operations.

Interbank transactions are settled at arm's-length conditions. Other dealings are settled according to specific contractual agreements that – without prejudice to the goal of optimising synergies and generating economies of scale and scope at the Group level – are founded upon ongoing, objective parameters designed to ensure transparency and substantive fairness. Prices for services rendered are calculated and formalised using proven parameters that take account of actual use by each company.
Transactions with related parties other than companies that are part of the Banca Popolare di Cividale S.c.p.A. Group are treated as normal banking operations and are ordinarily settled at arm's-length conditions for operations or offered on any more favourable terms for which employees are eligible.
Banking transactions with groups controlled by the directors of the Company or other Banca Popolare di Cividale S.c.p.A. Group companies are approved in accordance with Article 136 of the Consolidated Banking Act and settled at arm's-length conditions for such transactions.
It should be noted that no transactions with related parties considered major transactions pursuant to the *Procedures for Related-Party Transactions* cited above were undertaken during the reporting period.
Except as disclosed above with regard to the business combination, in 2013 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.
The following table shows the effects of transactions undertaken with Group companies on the balance sheet and income statement.

	Balance sheet - Assets		31/12/2013	of which: transaction with Civileasing srl	of which: transaction with Tabogan Srl
10	Cash and cash equivalents		20.020	-	-
20	Financial assets held for trading		3.512	-	-
30	Financial assets measured at fair value		-	-	-
40	Financial assets available for sale		1.472.115	-	-
50	Invetments held to maturity		105.413	-	-
60	Due from banks		162.912	-	-
70	Loans to customers		3.082.164	281.609	11.458
80	Hedging derivatives		-	-	-
90	Change in fair value of assets in macro fair value hedge portfolios		-	-	-
100	Investments in associates and companies subject to joint		36.718	-	-
120	Property and equipment		72.612	-	-
130	Intangible assets		19.136	-	-
	of which:			-	-
	- goodwill	19.136		-	-
140	Tax assets		68.429	-	-
	a) current	16.599		-	-
	b) deferred	51.830		-	-
160	Other assets		30.527	19	-
	Total assets		**5.073.557**	**281.628**	**11.458**

	Balance sheet - Liabilities and shareholders' equity		31/12/2013	of which: transaction with Civileasing srl	of which: transaction with Tabogan Srl
10	Due to banks		997.922	-	-
20	Due to customers		2.958.519	618	-
30	Debt securities issued		730.284	-	-
40	Financial liabilities held for trading		965	-	-
50	Financial liabilities measured at fair value		-	-	-
60	Hedging derivatives		-	-	-
70	Changhe in fair value of assets in macro fair value hedge portfolios		-	-	-
80	Tax liabilities		26.113	-	-
	a) current	18.992		-	-
	b) deferred	7.121		-	-
90	Liabilities associated with discontinued operations		-	-	-
100	Other liabilities		83.636	3	-
110	Employee termination benefits		5.645	-	-
120	Provisions for risk and charges:		3.296	-	-
	a) post-employment and similar obligations	-		-	-
	b) other provisions	3.296		-	-
130	Technical reserves		8.552	-	-
140	Valuation reserves		-	-	-
150	Equity instruments		-	-	-
160	Reserves		42.845	-	-
170	Share premiums		198.570	-	-
180	Share capital		51.068	-	-
190	Treasury shares (-)		(7)	-	-
200	Net income (loss) for the period (+/-)		(33.850)	-	-
	Total liabilities and shareholders' equity		**5.073.557**	**621**	**-**

	Income statement		31/12/2010	of which: transaction with Civileasing srl	of which: transaction with Tabogan Srl
10	Interest income and similar revenues		135.261	2.881	1.161
20	Interest expense and similar charges		(57.496)	(20)	-
30	**Net interest income**		**77.765**	**2.861**	**1.161**
40	Commission income		28.976	2	-
50	Commission expense		(7.021)	-	-
60	**Net commission income**		**21.956**	**2**	**-**
70	Dividends and similar income		1.333	-	-
80	Net trading income		423	-	-
90	Net fair value changes in hedge relationships		(54)	-	-
100	Profit (loss) on disposal or repurchase of:		50.861	-	-
	a) loans	1.081		-	-
	b) financial assets available for sale	51.586		-	-
	c) financial assets held to maturity	-		-	-
	d) financial liabilities	45		-	-
110	Profit (loss) on financial assets and liabilities measured at fair value		-	-	-
120	**Total income**		**152.284**	**2.863**	**1.161**
130	Charges/write-backs on impairment of:		(120.210)	-	-
	a) loans	(110.971)		-	-
	b) financial assets available for sale	(9.281)		-	-
	c) financial assets held to maturity	-		-	-
	d) other financial transactions	42		-	-
140	**Net Financial income**		**32.074**	**2.863**	**1.161**
150	G&A expenses:		(71.865)	10	-
	a) personnel expenses	(40.189)		28	-
	b) other administrative expenses	(31.676)		(18)	-
160	Net provisions for risks and charges		(4.088)	-	-
170	Net impairment/write-backs on property, plant and equipment		(1.222)	-	-
180	Net impairment/write-backs on intangible assets		(67)	-	-
190	Other operating income (expenses)		6.863	188	-
200	**Operating cost**		**(68.671)**	**208**	**-**
210	Profit (loss) on equity investments		(4.088)	-	-
220	Net adjustment to fair value of property, plant and equipment and intangible assets		-	-	-
230	Goodwill impairment		-	-	-
240	Profit (loss) on disposal of investments		-	-	-
250	**Income (loss) before tax from continuing operations**		**(40.685)**	**3.071**	**1.161**
260	Tax on income from continuing operations		6.835	-	-
270	**Income (loss) after tax from continuing operations**		**(33.850)**	**3.071**	**1.161**
280	Income (loss) after tax from discontinued operations		-	-	-
290	**Net income for the period**		**(33.850)**	**3.061**	**1.161**

Chapter I – SHARE-BASED PAYMENTS

This item is not applicable to the financial statements of Banca Popolare di Cividale S.c.p.A.

Chapter L – SEGMENT REPORTING

Segment reporting is provided in the notes to the consolidated financial statements.

Cividale del Friuli, 18 March 2014

Banca Popolare di Cividale S.c.p.A.

The Board of Directors

Board of Statutory Auditors' Report on the separate financial statements of Banca Popolare di Cividale S.c.p.A. for the year ended 31 December 2013

Shareholders,

In fulfilment of its duties pursuant to Art. 2403 and Art. 2429 of the Italian Civil Code, the Board of Statutory Auditors hereby presents you with the following report on its activity in 2013 and submits for your approval the separate and consolidated financial statements for the year ended 31 December 2013, including the notes, financial statement schedules and the directors' reports on operations of the Bank and Group. The report on operations has been drafted in accordance with Art. 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, introduced by Legislative Decree No. 32/2007.

It is undeniable that the persistence of the severe economic crisis of exceptional scope already discussed in our report from the previous year intensified its impact on Italy's entire socio-economic fabric, and our area in particular, in 2013.

The consequences for the Bank's operational management involved the non-performing and bad debt positions area, requiring considerable provisions, the amounts and impact of which on operating results are illustrated in the financial statement schedules.

The country's entire industrial and commercial economy and job market have been affected, and it does not seem that any concrete signs of improvement have been seen in this initial part of the year.

In this situation, which has affected the entire Italian banking sector, the Board of Statutory Auditors, in accordance with the clear indications from the Bank of Italy, devoted especial attention, in concert with the responsible functions, to enhancing the internal control system and monitoring credit and operating risks, with particular emphasis on the need for prevention, which may be achieved through prudent, sound operations.

In this regard, the continuing training of personnel and further revision of the rules and procedures for the Auditing, Risk Management, Compliance and Anti-Money Laundering functions launched in 2011 in accordance with the guidelines imparted by the Bank of Italy appear a decisive, valuable measure.

In application of these guidelines, supervisory and control activity was performed with particular care dedicated to:

- the adequacy of the organisational structure of the Parent Company and its subsidiaries through information gathered from the Directors, general management and heads of individual functions through interviews and the review of documents and periodic informational reports;
- the adequacy of the administrative and accounting structure adopted by the companies through interviews of the heads of the various functions and a periodic review of company documents;
- the monitoring of the efficacy of internal control systems through joint meetings held every four months, with the boards of statutory auditors and boards of directors of all Group companies, independent auditors, Supervisory Board pursuant to Legislative Decree No. 231/2001 and general management indicated in the minutes for such meetings.

In this regard, it was suggested that each Group company become more pro-active both in dialogue with management bodies and control bodies and in the adoption of timely measures aimed at preventing the risks concerned.

Relations with the independent auditors and the Bank's administrative services were fruitful and constructive.

The Board of Statutory Auditors participated in all meetings of the Board of Directors, obtaining information concerning management activity and the transactions with the greatest impact on financial performance from the Chairman and Directors. Particular attention was devoted to recent provisions governing related-party transactions and the important role of independent directors, who with their independence of judgement contribute to adequate support of the analyses and resolutions of the Board of Directors.

During the year, the Board of Statutory Auditors regularly conducted periodic audits, drafting minutes of the activity performed for each meeting.

It also acted by expressing opinions and recommendations during the meetings of the Bank's Board of Directors and the critical situations brought to light during the previous year.

In order to monitor the adequacy and operating efficiency of the various functions, we deemed it useful, according to a practice established several years ago, to meet with the heads of the Auditing, Risk Management, Compliance and Legal functions, who provided us with adequate information concerning their organisations, the implementation of control procedures and their operational conditions, rendered concrete by the specific written regulations adopted by each function and documented in written records.

We observed that the communication and integration between the various offices appears adequate and that the activity performed by the individual functions is being reinforced, as also shown by the periodic informational reports that each function submits to the Board of Directors and Board of Statutory Auditors and that this Board of Statutory Auditors has decided to forward directly to the Supervisory Division of the Bank of Italy in the interest of proper, timely information concerning the concrete implementation of the ongoing revamping process.

The Board of Statutory Auditors believes that the internal control system and organisational, administrative and accounting structures are being adapted to the new scope of operations of the Bank and Group, albeit with the need for constant, prudent monitoring given the complexity of the aspects of the current economic scenario and the issues of jobs and growth.

The Board of Statutory Auditors renews its recommendation that considerable commitment continue to be made to the ongoing training of personnel, in a manner consistent with the principles of social and professional ethics, in order to translate the application of technical and formal rules into a business culture.

This business culture cannot be considered in isolation from the profound changes being experienced by the socio-economic system and that has certainly inspired the profound restructuring that the Group has undertaken during the year and will continue in the form of the planned revamping of its governance.

In this regard, the Board of Statutory Auditors has expressly, repeatedly recommended that candidates for the re-election of company bodies be nominated in full accordance with the provisions of laws and regulations.

As previously reported, the merger of Banca di Cividale S.p.A. and NordEst Banca S.p.A. into Banca Popolare di Cividale S.c.p.A. was completed on 8 December 2013. Assistance for this transaction, which was duly authorised by the Bank of Italy, was provided by K.P.M.G. Advisory S.p.A.

The extraordinary session of the Shareholders’ Meeting of 8 December 2013 dealt with the justification, resulting amendments to the Articles of Association, renewal of the Board of Directors and further informational details.

During 2013, the Bank was subject to an ordinary inspection by the Bank of Italy, which began on 26 March 2013 and concluded on 7 August 2013. While taking due account of the indications provided by the Inspection Service, the Board of Directors and Board of Statutory Auditors decided to submit their remarks, each in a separate document, which are pending review by the competent offices.

The Board of Statutory Auditors received a complaint pursuant to Art. 2408 of the Italian Civil Code dated 14.06.2013 from the Chairman of the Banca Popolare di Cividale Shareholders Association, Pierluigi Comelli, concerning the disbursement to Chairman of Banca di Cividale S.p.A. Lorenzo Pelizzo upon the end of his term of service, authorised by the Board of Directors of Banca di Cividale S.p.A. in March 2012. In particular, the complainant claims that this disbursement is objectionable due to both the loss that Banca di Cividale S.p.A. reported at the end of 2012 and to the fact that the Bank of Italy’s recommendations concerning compensation policies for directors issued in early 2013 were allegedly disregarded.

The Board of Statutory Auditors has thoroughly examined the justification for and conditions of the above disbursement and determined that:

- the disbursement was unanimously approved by the Board of Directors of Banca di Cividale S.p.A. in March 2012;
- the disbursement is exceptional in nature, justified by the end of a term of service of many years, which Lorenzo Pelizzo completed with public notoriety, a reasonable justification for considering it beyond the scope of the Group’s general compensation policy rules;
- the disbursement was approved in March 2012, well before the occurrence of the losses reported at the end of 2012, to which the complainant refers;

- this exceptional compensation was included in the accounting figures for the 2012 financial statements and was subject to express disclosure to the Shareholders' Meeting of the Parent Company, Banca Popolare di Cividale S.c.p.A., on 25 April 2013, in the context of the illustration of the various line items;
- the Shareholders' Meeting – the sovereign body at the apex of all joint-stock companies – approved the financial statements "with shareholder Emanuele Massa abstaining." The above was disclosed to the Bank of Italy.

We will now proceed with an examination of some significant events that characterised the reporting year.

Matters of criminal relevance
During the two extraordinary sessions of the Board of Directors held on 11 April and 16 April 2013, the Board of Statutory Auditors was informed that the Public Prosecutor's Office of the Court of Udine had launched investigations targeting certain senior executives of Banca di Cividale S.p.A. and the Parent Company, Banca Popolare di Cividale S.c.p.A., as well as of the financial institutions themselves pursuant to Legislative Decree No. 231/01.

The meetings of the Board of Directors were preceded by a search warrant served on 9 April authorising the obtainment of documents. From the indictment, it was learned that the circumstances cited by the Public Prosecutor's Office dated back to a period prior to 2007.

Pending the obtainment of a detailed historical and documentary record of the circumstances underlying the allegations, which was requested from the Auditing Service, the Board of Statutory Auditors immediately and formally recommended that the Board of Directors keep the positions of the individuals concerned separate and distinct from those of the banks and take action to protect the Bank at a legal level by retaining qualified, specialised legal counsel. The Board of Directors acted promptly on this recommendation, retaining the counsel of an attorney and university lecturer based in Rome.

In the interim, the Board of Statutory Auditors provided thorough disclosure, pursuant to Art. 52 of the Consolidated Banking Act, to the competent Supervisory Division of the Bank of Italy.

Considering that these events took place concurrently with the inspection ordered by the Bank of Italy, the Board of Statutory Auditors, by agreement with the Inspection Service, sent the Supervisory Division all of the documents relating to the subsequent developments of the proceedings, accompanied by the information provided by the Auditing Service.

As is common knowledge, the proceedings were subject to extensive dissemination in the media and concluded with formal notice of completion of investigation served on 13 December 2013.

The proceedings were reviewed by the Board of Statutory Auditors on 16.1, 23.1, and 4.2.2014, and the minutes of these reviews have been submitted to the Supervisory Division of the Bank of Italy.

The legal process continues and all that remains now is to await its completion.

In conclusion, the Board of Statutory Auditors, to the extent of its competence, expresses a favourable opinion of the approval of the separate and consolidated financial statements for the year ended 31 December 2013.

Finally, the Board of Statutory Auditors expresses its sincere gratitude to the Bank's general management and the employees for their courteous, efficient assistance during the year.

Cividale del Friuli, 8 April 2014
The Statutory Auditors

Giancarlo Del Zotto
Mauro De Marco
Carlo del Torre

Certification of the separate financial statements pursuant to Article 81-*ter* of Consob Regulation No. 11971 of 14 May 1999, as amended

1. We, the undersigned, Lorenzo Pelizzo, in the capacity of Chairman of the Board of Directors, and Gabriele Rosin, in the capacity of manager responsible for the preparation of financial reports, of Banca Popolare di Cividale S.c.p.A., do hereby certify, pursuant to Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures used to prepare the separate financial statements during the period 1 January – 31 December 2013:

- were adequate with respect to the characteristics of the enterprise; and
- were effectively applied.

2. Our review of the adequacy and effective application of the administrative and accounting procedures used to prepare the separate financial statements at and for the year ended 31 December 2013 was based on a model established by Banca Popolare di Cividale S.c.p.A. in accordance with the *Internal Control – Integrated Framework (CoSO)* and the *Control Objectives for Information and Related Technologies (COBIT)*, which represent generally accepted international standards of reference for the internal control system and financial reporting in particular.

3. Furthermore, we do hereby certify that:

3.1. the separate financial statements

d) have been prepared in accordance with the applicable international accounting principles endorsed by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002;

e) correspond to the results of accounting books and records; and

f) are suited to furnishing a true and fair representation of the financial performance and financial position of the issuer.

3.2. The report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer, in addition to a description of the main risks and uncertainties to which it is exposed.

Cividale del Friuli, 18 March 2014

The Chairman of the Board of Directors
Lorenze Pelizzo
[signed]

Manager responsible for financial reports
Gabriele Rosin
[signed]

Independent Auditors' report on the separate financial statements of Banca Popolare di Cividale S.c.p.A. at and for the year ended 31 December 2013

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

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

1. We have audited the financial statements of Banca Popolare di Cividale S.c.p.A. as of and for the year ended December 31, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Popolare di Cividale S.c.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 9, 2013.

3. In our opinion, the financial statements of Banca Popolare di Cividale S.c.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Popolare di Cividale S.c.p.A. for the year then ended.

Reconta Ernst & Young S.p.A.
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4. The management of Banca Popolare di Cividale S.c.p.A. is responsible for the preparation of the Directors' Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report on operations and the specific section on Corporate Governance, regarding the information included therein in compliance with art. 123-bis paragraph 2, letter b) of Legislative Decree n. 58/1998, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In our opinion the Directors' Report on operations and the information reported therein in compliance with article 123-bis paragraph 2, letter b) of the Legislative Decree n. 58/1998 in the specific section of the report are consistent with the financial statements of Banca Popolare di Cividale S.c.p.A. as of December 31, 2013.

Milan, April 9, 2014

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

Appendices

Shareholders and share performance: historical information

FINANCIAL YEAR	YEAR	BALANCE AT END OF YEAR						INCOME ALLOCATED TO THE SHAREHOLDERS	SHARES		
		SHAREHOLDERS	SHARES	SHARE CAPITAL AND RESERVES			NET INCOME		DIVIDENDS	NOMINAL VALUE	PRICE
				SHARE CAPITAL	RESERVES	TOTAL					
1	1887	216	1.357	33.925	110	34.035	1.276	-	-	25	-
5	1891	468	1.607	40.175	2.451	42.626	4.734	2.410	1,50	25	-
10	1896	798	1.936	48.400	19.456	67.856	6.131	2.904	1,50	25	-
15	1901	767	1.995	49.875	36.631	86.506	11.717	3.990	2,00	25	-
20	1906	649	5.347 (1)	133.675	16.209	149.884	14.330	6.683	1,25	25	-
25	1911	623	5.434	135.850	69.771	205.621	29.391	10.868	2,00	25	-
30	1916	606	5.458	136.450	96.491	232.941	20.669	9.551	1,75	25	-
35	1921	116	6.440	161.000	197.162	358.162	166.236	19.320	3,00	25	-
40	1926	190	6.753 (2)	337.650	267.251	604.901	82.155	20.259	3,00	50	-
45	1931	1095	6.755	337.750	1.500.472	1.838.472	85.117	47.285	7,00	50	-
50	1936	1.022	6.755	337.750	1.310.436	1.648.186	60.626	33.775	5,00	50	-
51	1937	1.004	6.755	337.750	1.316.473	1.654.223	59.963	33.775	5,00	50	-
52	1938	994	6.755	337.750	1.321.161	1.658.911	64.716	40.530	6,00	50	-
53	1939	987	6.755	337.750	1.325.007	1.662.757	71.259	40.530	6,00	50	-
54	1940	982	6.755	337.750	1.328.891	1.666.641	73.638	35.463	5,25	50	-
55	1941	985	6.755	337.750	1.332.931	1.670.681	75.230	35.463	5,25	50	-
56	1942	986	6.755	337.750	1.336.810	1.674.560	75.230	35.463	5,25	50	-
57	1943	986	6.755	337.750	1.625.605	1.963.355	79.684	31.748	4,70	50	-
58	1944	994	6.755	337.750	1.651.210	1.988.960	88.103	31.748	4,70	50	-
59	1945	1.004	6.755	337.750	1.666.568	2.004.318	78.105	31.748	4,70	50	-
60	1946	1.008	6.755	337.750	1.711.204	2.048.954	76.164	40.530	6,00	50	-
61	1947	1.006	6.755	337.750	1.670.447	2.008.197	86.192	47.285	7,00	50	-
62	1948	1.002	6.755	337.750	1.678.400	2.016.150	112.468	47.285	7,00	50	-
63	1949	502 (3)	2.675	1.337.500	4.085.967	5.423.467	305.359	200.625	75	500	150
64	1950	518	2.890	1.445.000	4.331.502	5.776.502	388.939	260.100	90,00	500	1.500
65	1951	564	4.084	2.042.000	5.564.395	7.606.395	562.026	408.400	100,00	500	1.500
66	1952	603	4.777	2.388.500	6.343.517	8.732.017	723.370	525.470	110,00	500	1.500
67	1953	632	12.386	6.193.000	17.444.844	23.637.844	1.950.438	1.486.320	120,00	500	2.000
68	1954	674	17.668	8.834.000	25.690.506	34.524.506	3.150.246	2.120.160	120,00	500	2.000
69	1955	698	17.862	8.931.000	26.326.200	35.257.200	3.685.346	2.143.440	120,00	500	2.000
70	1956	685	17.991	8.995.500	27.481.784	36.477.284	4.179.478	2.518.740	140,00	500	2.000
71	1957	710	18.604	9.302.000	29.910.721	39.212.721	4.330.825	2.604.560	140,00	500	2.000
72	1958	717	22.161	11.080.500	36.038.073	47.118.573	4.399.344	3.102.540	140,00	500	2.500
73	1959	729	23.141	11.570.500	38.556.682	50.127.362	4.667.216	3.471.150	150,00	500	2.500
74	1960	753	25.249	12.624.500	43.428.462	56.052.362	4.996.161	3.787.350	150,00	500	2.500
75	1961	766	28.862	14.313.000	50.948.418	65.261.418	6.162.724	4.580.160	160,00	500	2.500
76	1962	815	38.404	19.202.000	72.117.113	91.319.113	7.715.255	6.144.640	160,00	500	2.500
77	1963	806	43.757	21.878.500	84.206.128	106.084.628	8.840.789	7.001.120	160,00	500	3.000
78	1964	821	45.500	22.750.000	89.671.806	112.421.806	9.119.804	7.280.000	160,00	500	3.000
79	1965	761	46.367	23.183.500	93.012.146	116.195.646	10.188.113	7.418.720	160,00	500	3.000
80	1966	811	52.210	26.105.000	109.282.367	135.387.367	11.034.445	8.353.600	160,00	500	3.000
81	1967	829	57.570	28.785.000	124.157.332	152.942.332	12.607.249	9.211.200	160,00	500	3.000
82	1968	900	65.794	32.897.000	146.713.621	179.610.621	13.668.150	10.527.040	160,00	500	3.000
83	1969	932	81.805	40.902.500	188.581.596	229.484.096	19.077.305	14.724.900	180,00	500	3.000
84	1970	1.018	107.782	23.891.000	256.110.456	310.001.456	25.335.679	19.400.760	180,00	500	3.000
85	1971	1.099	191.737	95.869.500	471.327.686	567.196.186	45.537.000	34.512.660	180,00	500	3.500
86	1972	1.141	26.875	108.437.500	552.843.506	661.281.006	53.674.995	40.831.000	190,00	500	3.500
87	1973	1.349	269.556	134.778.000	731.735.552	866.513.552	73.791.120	56.606.760	210,00	500	3.500
88	1974	1.415	394.255	197.127.500	1.176.987.612	1.374.115.112	132.757.890	102.506.300	260,00	500	4.000
89	1975	1.426	405.366	202.683.000	1.162.047.211	1.364.730.211	182.552.600	113.502.480	280,00	500	5.000
90	1976	1.373	471.195	235.597.500	1.754.649.114	1.990.247.114	257.662.700	169.630.200	360,00	500	6.000
91	1977	1.436	534.846	267.423.000	2.452.631.055	2.720.054.055	348.185.700	224.635.320	420,00	500	7.000
92	1978	1.477	594.676	297.338.000	3.004.937.110	3.302.275.110	445.773.800	303.284.760	510,00	500	8.500
93	1979	1.636	747.084	373.542.000	4.905.540.410	5.279.082.410	785.347.580	537.900.480	720,00	500	12.000

FINANCIAL YEAR	YEAR	BALANCE AT END OF YEAR						INCOME ALLOCATED TO THE SHAREHOLDERS	SHARES		
		SHAREHOLDERS	SHARES	SHARE CAPITAL AND RESERVES			NET INCOME		DIVIDENDS	NOMINAL VALUE	PRICE
				SHARE CAPITAL	RESERVES	TOTAL					
94	1980	1.990	1.028.417	514.208.500	9.061.346.120	9.575.554.620	1.355.743.850	863.870.280	840,00	500	14.000
95	1981	2.174	1.027.102	513.551.000	9.386.487.005	9.900.038.005	1.898.540.250	1.109.270.160	1.080,00	500	18.000
96	1982	2.427 (4)	2.065.656	1.032.828.000	16.846.160.124	17.878.988.124	2.885.151.000	1.735.151.040	840,00	500	14.000
97	1983	2.570	2.072.454	1.036.227.000	17.672.620.254	18.708.847.254	3.302.500.000	1.958.469.030	945,00	500	15.750
98	1984	2.674 (5)	2.062.142	1.031.071.000	18.379.150.754	19.410.221.754	3.807.750.000	2.165.249.100	1.050,00	500	17.500
99	1985	2.828	5.182.775	2.591.387.500	27.581.878.254	30.173.265.754	4.130.537.500	2.720.956.875	525,00	500	8.750
100	1986	3.137	5.186.519	2.593.259.500	28.567.413.919	31.160.673.419	6.018.402.100	3.215.641.780	620,00	500	9.500
101	1987	3.660	5.391.402	2.695.701.000	33.036.039.552	35.731.740.552	6.050.859.000	3.180.927.180	590,00	500	10.150
102	1988	4.242	5.742.967	2.871.483.500	39.272.308.522	42.143.792.022	6.890.919.945	3.618.069.210	630,00	500	10.850
103	1989	4.767	6.078.404	3.039.202.000	45.975.098.284	49.014.300.284	7.900.114.293	4.133.314.720	680,00	500	11.500
104	1990	5.290	6.420.059	3.210.029.500	53.490.059.950	56.700.089.450	8.700.000.000	4.686.643.070	730,00	500	12.200
105	1991	5.777	7.069.673	3.534.836.500	70.169.883.285	73.704.719.785	9.400.000.000	5.443.648.210	770,00	500	12.900
106	1992	5.870	7.245.997	3.622.998.500	75.999.169.935	79.622.168.435	6.700.000.000	5.579.417.690	770,00	500	13.500
107	1993	6.295	4.972.532	24.863	79.484	104.347	7.150	5.967	1.200	5.000	25.200
108	1994	6.880	5.493.731	27.469	91.586	119.054	6.300	4.944	900	5.000	26.000
109	1995	6.928	5.550.567	27.753	95.428	123.181	8.500	5.828	1.050	5.000	26.500
110	1996	6.896	5.619.808	28.099	101.450	129.549	9.000	6.463	1.150	5.000	27.500
111	1997	6.925	5.658.775	28.294	106.750	135.044	9.050	5.659	1.000	5.000	28.250
112	1998	7.274	5.792.802	28.964	116.158	145.122	12.050	6.951	1.200	5.000	29.000
113	1999	7.228	5.792.802	28.964	110.307	139.271	27.090	110.063	19.000	5.000	30.500
114	2000	7.167	5.792.802	28.964	28.814	57.778	16.900	5.793	1.000	5.000	30.500
115	2001	8.653	6.362.711	36.960	51.744	88.704	7.670	6.160	968	5.809	35.008
Amounts in euros											
116	2002	9.257	8.284.320	24.853	62.815	87.668	5.200	4.275	0,516	3,00	18,50
117	2003	9.357	8.331.320	24.994	65.162	90.156	5.930	4.299	0,516	3,00	18,75
118	2004	9.277	8.331.320	24.994	67.316	92.310	6.825	4.582	0,55	3,00	19,25
119	2005	9.748	9.400.000	28.200	93.366	121.566	12.127	5.170	0,70	3,00	20,00
First time adoption of the new international accounting standards IAS-IFRS											
120	2006	9.766	11.750.000	35.250	120.525	155.775	7.448	5.758	0,60	3,00	20:25
121	2007	10.223	14.934.824	44.804	182.336	227.140	9.650	7.972	0,60	3,00	21,75
122	2008	10.070	14.934.824	44.804	183.846	228.650	11.640	8.961	0,60	3,00	23,00
123	2009	10.574	15.484.145	46.452	197.608	244.060	10.500	6.968	0,45	3,00	23,50
124	2010	11.719	16.634.078	49.902	225.217	275.119	10.100	6.654	0,45	3,00	24,00
125	2011	11.905	16.929.341	50.788	223.549	274.337	11.630	7.618	0,45	3,00	24,50
126	2012	12.309	16.927.763	50.783	244.885	295.668	14.103	7.617	0,35	3,00	24,50
127	2013	12.994	17.022.649	51.068	249.959	301.027	(33.850)		-	3,00	24,50