Banca Popolare di Cividale

Società Cooperativa per Azioni

Report and Financial Statements at 31/12/2015

Draft Financial Statements – BoD 23 March 2016

BANCA POPOLARE DI CIVIDALE
A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo 81;
33043 Cividale del Friuli;
Bank of Italy Register No. 5758.8.0; Italian Banking Association Code 05484;
Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306;
Share capital at 31/12/2015: €50,913,255, fully paid-in
A member of the Interbank Deposit Protection Fund

Contents

Boards and senior management of Banca Popolare di Cividale at the date of approval of the separate financial statements for the year ended 31/12/2015

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

Notice to convene ordinary meeting of 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 29 April 2016 and second call, if necessary, at **9:30 AM on 30 April 2016**.*

Agenda

1. *Financial statements for the year ended 31 December 2015 and any related matters;*
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 adjust the compensation for legal auditing service;*
4. *Remuneration policies;*
5. *Appointment of corporate officers and determination of their compensation;*
6. *Bylaws of the shareholders' meeting;*
7. *Any measures pursuant to Art. 2393 of the Italian Civil Code concerning events relating to the construction of the new headquarters of Banca Popolare di Cividale S.C.p.A. and the associated real-estate transactions against the directors of Tabogan S.r.l. due to deficient management;*
8. *Any measures pursuant to Articles 2393 and 2407 of the Italian Civil Code concerning events relating to the construction of the new headquarters of Banca Popolare di Cividale S.C.p.A. and the associated real-estate transactions against the directors and statutory auditors of Banca Popolare di Cividale S.C.p.A. in office at the time due to deficient controls of the actions of Tabogan S.r.l.*

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 the Bylaws free of charge.

Cividale del Friuli, 23 March 2016

Chairman
Michela Del Piero

Letter from the Chairman

Shareholders,
In 2015 Banca Popolare di Cividale recorded the best result in its history, allowing it once more to distribute a dividend of € 0.30 a share after two years of absence.

This result appears even more significant when one considers the macroeconomic scenario without a clearly defined recovery and the historic advent of negative interest rates and yields on the most widely held government bonds, in addition to an environment of particular hardship in the Bank's local community for the members and customers of cooperative banks.

In an economic situation that remains complex, with weak signs of a recovery, the Bank used the excellent result achieved in 2015 to put itself on a path that allows all of us to look with greater confidence on the future financial performance, capitalisation and position of Banca Popolare di Cividale in its market of operation, which remains Friuli Venezia Giulia and Eastern Veneto, with the aim of continuing to provide strong support to the local economy.

However, what the Bank and the region are experiencing is an epochal change, and the crisis of confidence in the cooperative banking system is evident, with clear consequences for the Bank, a leading player in the cooperative credit sector for 130 years and, I am certain, a future leader of the sector for an equal length of time to come.

There is no doubt that Italy ought to have taken a different approach to the epochal revolution represented by the introduction of the "bail-in" mechanism: in a country where savings are protected by law, the average customer learned of the entry into force of this principle solely through the painful and sometimes dramatic interventions in favour of Banca dell'Etruria, Banca delle Marche, Cassa di Risparmio di Ferrara and Cassa di Risparmio di Chieti in November, involving measures that effectively anticipated the future, with costs spread across the entire Italian banking system.

In the community where we live and work, this came in addition to the specific crisis experienced by banks with very long traditions, to which our Bank is compared daily as it seeks to win customers' trust and hold the value of cooperative banking high. Increasingly discouraging news regarding the financial performance and operational behaviour of such banks in recent years, along with a very severe decline in the value of their shares in view of a transformation into joint-stock companies, have had negative consequences for all of Italy's other cooperative banks as well.

Shareholders,
Although the economic situation remained difficult in 2015, the "historic" net income of € 24.1 million - even after the contribution of € 6.6 million required of the Bank by the supervisory authorities for intervention in favour of the banks in crisis - was due in part to the net capital gain of € 62 million earned on the sale of the interest in ICPBI, used for the present and future good of the Bank, i.e. to ensure particularly solid financial performance and financial position moving forward, as a natural, fundamental foundation for independent, authoritative growth.

The part of the capital gain put towards capital enhancement allowed the CET1 ratio to be increased to 13%, among the highest levels in the Italian banking industry.

In addition, capital enhancement will result in a ratio of price to book value of around 1.

More generally, the Bank's Board of Directors adopted an overall policy of strengthening all technical aspects of the Bank, from completing the company reorganisation process with the merger of Civileasing S.p.A. to increasing the rate of coverage of non-performing loans (45.2%, among the highest in the Italian banking industry) and conducting a rigorous assessment of goodwill and real-estate assets involving the recognition of impairment losses of over € 15 million.
In this scenario, the Board of Directors decided, in full accordance with supervisory regulations requiring banks to maintain current and prospective capital adequacy consistent with the overall risks assumed, to propose that the shareholders' meeting approve remuneration for shareholders in the form of a total dividend of € 5 million (€ 0.30 per share), resulting in a gross yield of 1.53%.

Shareholders,
Our Bank is very solid, has deep roots in its local community and is establishing growing trust among investors and business owners, resulting in constant growth of its customers, shareholders and loans to businesses as it works for our future.

The main factors of our success are immutable: the daily efforts of the women and men who work at the Bank each day, the trust our customers have placed in us and the patience demonstrated by our shareholders.

These make up the foundation for very specific key factors of success. Some a tangible nature, such as the geographical proximity of our decision-making centres to businesses and families, or the longer average tenure of our employees at our branches than at medium and large banks. Others are intangible, such as our high level of professional experience in several specific areas of our business, as witnessed by the strong growth of Banca Popolare di Cividale's subsidised lending.

We have adopted a balanced development plan for 2016 that guides the main sources of recovery of the Bank's income performance, in full awareness that it will be very difficult to repeat the excellent result achieved in 2015, due to the further natural decline of the contribution from finance, in view of the current negative government bond yields.

Firstly, we predict that service fees will grow, with an emphasis on wealth management assets, due in part to the plan to recruit new specialised resources, but also to the very strong focus on forms of investment of third-party funds, which generate fees and require less capital.

We will continue to cut costs, despite investing in communication (our celebration of our 130th anniversary will be more than adequate), training and renewing branch physical plant. We are focusing closely on branch profitability, by scrutinising less well established branches with less dynamic performances, and adopting a more active human resources policy, with redundancy incentives aimed at supporting youth employment in the region and creating room for new professional careers at the Bank.

Shareholders,
In conclusion, Banca Popolare di Cividale is one of the soundest companies in Friuli Venezia Giulia, with the mission of performing to the fullest its role as a "local bank," while keeping the closest possible ties to businesses and households, even at these difficult times. Investors did not lose confidence in our institution even at the most crucial periods: the increasing number of our customers and shareholders continues to bear witness to this fact.

Although ample account of the above will be given in this Report, I believe it is important to emphasise the value - in a scenario of continuing social and economic complexity and difficulty in Italy - of the commitment universally made by all employees of the Bank to achieving its ordinary and strategic objectives.

This shared intent and motivation represent the best evidence of how the principles laid down in our Code of Ethics are adopted and applied by employees and contractors at all levels in their day-to-day work. It is on the strength of this very evidence that I believe it is reasonable to hope that Banca Popolare di Cividale will succeed in weathering the period of profound change faced by the Italian banking industry on the strength of this values, while remaining true to the community banking model resulting from its cooperative origins.

The Chairman
Michela Del Piero

Financial highlights and balance sheet ratios for Banca Popolare di Cividale

BALANCE SHEET DATA	31/12/2015	31/12/2014*	Var %
Loans to customers	2.683.711	2.735.250	-1,9%
Financial assets and liabilities	1.197.886	1.101.567	8,7%
Investments in associates and companies subject to joint	6.427	6.476	-0,8%
Total assets	4.168.018	4.230.413	-1,5%
Direct funding	2.561.759	2.583.466	-0,8%
Indirect funding	968.534	879.658	10,1%
- of w ich: Assets under management	720.359	586.920	22,7%
Total funding	3.530.293	3.463.123	1,9%
Shareholders' equity	313.570	277.760	12,9%

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*

Reclassified balance sheet

ASSETS	31/12/2015	31/12/2014*	Var %
Cash and cash equivalents	18.381	18.487	-0,6%
Financial assets held for trading	1.220	3.032	-59,8%
Financial assets available for sale	1.164.689	1.033.838	12,7%
Attività finanziarie detenute sino alla scadenza	32.716	64.697	-49,4%
Due from banks	40.385	159.347	-74,7%
Loans to customers	2.683.711	2.735.250	-1,9%
Investments in associates and companies subject to joint	6.427	6.476	-0,8%
Property, plant and equipment and intangible assets (1)	92.296	103.971	-11,2%
Other assets (2)	128.192	105.315	21,7%
Total assets	**4.168.018**	**4.230.413**	**-1,5%**

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*
(1) The aggregates include captions "110. Property, plant and equipment" and "120. Intangible assets";
(2) The aggregates include captions "130. Tax assets" and "150. Other assets".

LIABILITIES	31/12/2015	31/12/2014*	Var %
Due to banks	1.167.164	1.240.387	-5,9%
Direct funding from customers (1)	2.561.759	2.583.466	-0,8%
Financial liabilities held for trading	740	1.036	-28,6%
Other liabilities	110.217	118.034	-6,6%
Specific provisions (2)	14.567	9.730	49,7%
Shareholders' equity (3)	313.570	277.760	12,9%
Total liabilities	**4.168.018**	**4.230.413**	**-1,5%**

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*
(1) The aggregate includes captions "20. Due to customers" and "30. Debt securities issued";
(2) The aggregates include captions "110. Employee termination benefits" and "120. Provisions for risks and charges";
(3) The aggregate includes captions "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	31/12/2015	31/12/2014*	Var %
Net interest income (including result of hedging)	65.285	69.516	-6,1%
Net commissions	22.683	20.955	8,2%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.015	927	9,4%
Net trading income	80.850	35.624	127,0%
Other operating income (expenses) (4)	(236)	459	-151,5%
Operating income	**169.596**	**127.482**	33,0%
Personnel expenses	(40.657)	(39.879)	1,9%
Other administrative expenses (2)	(30.704)	(23.906)	28,4%
Net impairment/w rite backs on property, plant and equipment and intangible assets (3)	(8.179)	(1.897)	331,2%
Operating cost	**(79.540)**	**(65.682)**	21,1%
Income (loss) from operating	**90.056**	**61.800**	45,7%
Charges/w rite-backs on impairment of loans and financial assets	(60.393)	(37.049)	63,0%
Goodw ill impairment and Profit (loss) on equity investments	(10.049)	(5.223)	92,4%
Net provisions for risks and charges	(5.578)	(2.643)	111,1%
Income (loss) before tax from continuing operations	**14.036**	**16.884**	-16,9%
Tax on income from continuing operations	10.017	(10.895)	-191,9%
Net income for the period	**24.053**	**5.989**	301,6%

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*
(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" (€ 6,232.4 thousand in 2015 and € 6,340.7 thousand in 2014).
(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	31/12/2015	31/12/2014 *
Indirect funding from customers / Total funding	27,4%	24,6%
Assets under management / Indirect funding from customers	74,4%	66,7%
Direct funding from customers / Total liabilities	61,5%	64,0%
Loans to customers / Direct funding from customers	104,8%	100,4%
Loans to customers / Total assets	64,4%	64,3%

CREDIT RISK INDICATORS	31/12/2015	31/12/2014 *
Net non-performing loans	15,63%	13,44%
Other net impaired loans	7,47%	6,59%
Net non-performing loans / Loans to customers	2,06%	1,32%
Other net impaired loans / Loans to customers	73,26%	64,05%
Total net impaired loans / Loans to customers	63,80%	66,1%
Non performing loans hedging	14,83%	13,69%
Other impaired loans hedging	45,29%	43,72%
Cost of credit	2,06%	1,32%

Profitability ratios	31/12/2015	31/01/2014
Net interest income/Operating Income	38,49%	52,76%
Net commision income/Operating Income	13,37%	17,20%
Cost/income	46,90%	51,92%
Net income for the period/Total Assets	0,58%	0,14%
Net income for the period/RWA	1,12%	0,29%

Productivity ratios	31/12/2015	31/12/2014
Operating cost / N° of employees	134	111
Operating income / N° of employees	286	214
Loans to customers / N° of employees	4.533	4.733
Direct funding / N° of employees	4.327	4.714

Structure ratios	31/12/2015	31/12/2014
Loans to customers / Total net assets	65,03%	67,34%
Direct funding / Total net assets	62,07%	63,60%
Assets under management / Indirect funding from customers	74,38%	66,72%
Loans to customers / Direct funding from customers	104,76%	105,88%
Total assets / Shareholders' equity	1329,21%	1523,05%

Share value	31/12/2015	31/12/2014*
Share value	19,60	24,50
N° of shares	16.971.085	16.971.085
Shareholders' equity	313.570.071	277.786.324
P/BV	**1,06**	**1,50**

Operating structure	31/12/2015	31/12/2014*
N° of employees	592	583
Branches	75	75

Basic Earning per share	31/12/2015	31/12/2014
Adjusted attributable profit	24.053	5.803
Weighted average number of shares	16.971.085	16.971.085
Basic Earning per share	**1,42**	**0,34**

OTHER ECONOMIC INFORMATION	31/12/2015	31/12/2014*
Operating cost / Operating income (cost income ratio)	46,9%	51,5%

SOLVENCY RATIOS	31/12/2015	31/12/2014 *
Common Equity Tier 1 /Risk-weighted assets (CET1 capital ratio)	13,0%	10,0%
Tier 1 Capital / Risk-weighted assets (Tier1 capital ratio)	13,0%	10,0%
RWA	2.150.883	2.296.744
Total own funds / Risk-weighted assets (Total capital ratio)	14,6%	10,7%

** 31/12/2014 - Bilancio Consolidato*

Report on operations

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.

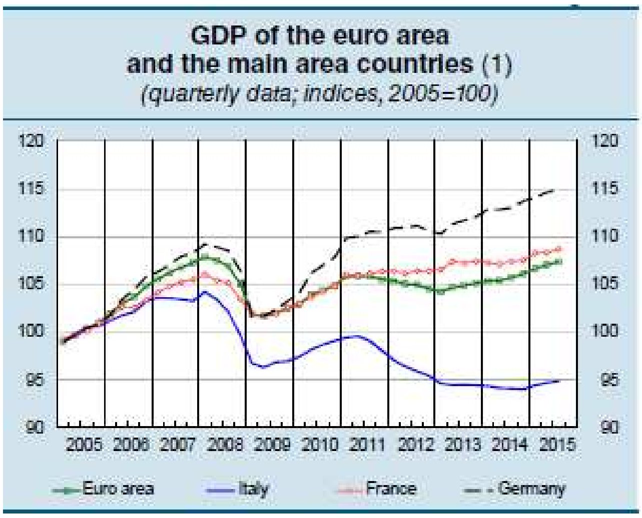
The macroeconomic scenario[1]

The international economy

Global economic prospects indicate a modest acceleration in growth during the reporting year and the following year. The most recent indicators suggest that economic activity has improved to a greater degree than expected in advanced economies, and in particular in the United States and Japan, but remains weak in emerging nations.

The improvement in employment data in the United States contributed to the increase in the benchmark rate by 25 basis points: the Federal Reserve thus began a period of normalisation of monetary policy, marking the conclusion of the zero rate policy implemented since December 2008. The decision was widely expected and had a limited impact on international financial and currency markets. In other economies outside the Euro Area, monetary policies remain highly expansionary.

Euro Area



In the Euro Area, economic activity continues to grow, but remains subject to downside risks tied to uncertain foreign demand. In the third quarter of 2015, GDP increased by 0.3% compared to the previous period, driven primarily by household spending and the change in inventories. In detail, GDP increased by 0.3% in Germany and France and by 0.2% in Italy (Fig.).

The most recent estimates indicate that the growth trend also continued in the fourth quarter of 2015, with essentially consistent performance between the largest nations. Household and business confidence indicators were also positive, driven by favourable signs relating to employment.

Inflation in the area is expected to come to 0.2% in December and remains below expectations. The weakness of the overall index was due in particular to the negative performance of the energy component. In order to combat the risk that the decline in commodities prices might have deflationary effects on long-term inflation expectations, the ECB's Executive Board adopted additional expansionary measures and expanded its securities purchasing programme.

The most recent studies conducted demonstrate the efficacy of the Eurosystem's securities purchasing programme in supporting economic activity in the Euro Area. The positive effects are estimated to include a reduction of the cost of new bank loans to households and companies of between 60 and 70 basis points (120 for Italian companies).

There are signs of improvement in **credit** conditions: the disbursement of credit to companies increased by 1.8%, whereas the increase in loans to households remained stable at 1.9%. The average levels of rates on new loans remain very modest (2.3% and 2.1%, respectively).

The Italian economy

Economic activity in Italy is gradually expanding. Exports, which drove the recovery in recent years, are declining due to slowing demand outside of Europe, and are progressively being replaced by an increase in domestic demand. In last two quarters of 2015, Italian GDP is believed to have increased by 0.2%, driven by household consumption and rising inventories. In addition, since the beginning of the year, the stimulus measures for purchases of capital equipment provided in the Stability Act are expected to support investments and contribute to the strengthening of the recovery. Signs of an improvement in investments may also be seen in the robust performance of the confidence climate in the capital goods sector. Cautious signs of optimism

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

are also being reinforced in the construction sector. In the third quarter, home purchases continued to rise, and home prices increased for the first time in four years (0.2% compared to the second quarter of 2015).

The growth of private consumption continued in the final months of 2015. The household confidence climate stood at historically high levels (Fig. 2; source: calculations based on ISTAT data), also driven by positive signs relating to the job market. In the third quarter, the number of employed individuals increased, above all among the young and in the service sector. According to data published by the INPS, the weight of indefinite-term hiring increased, as a consequence of the contribution relief under the Jobs Act, in force since early 2015.

Banking and finance

In the final months of the previous year, lending to the non-financial private sector increased by 1.5%. The expansionary measures adopted by the ECB favoured a reduction of the cost of loans disbursed, albeit with differences by sector of activity and size bracket. In the August-November period, the average rate on new loans to businesses remained at very low levels (1.9%). The cost of new loans to households declined to 2.6%. Recent surveys by the Italian Banking Association confirm the positive trend: considering a representative sample of banks (accounting for more than 80% of the market), in all of 2015 new mortgage loans disbursed for the purchase of homes by families increased by +97.1% on an annual basis compared to the previous year. In the third quarter of 2015, the flow of **new non-performing loans** as a percentage of total outstanding loans (net of seasonal factors and on an annual basis) decreased to 3.6% (from 3.8% in the previous quarter), whereas the flow of **new bad debts** as a percentage of total outstanding loans decreased by half of a percentage point to 2.4%. The improvement is predicted to continue in 2016 due to the expected strengthening of economic activity.

The cooperative banking system[2]

Cooperative banks continued to provide support to local their economies in 2015. Despite the objective difficulties due to the economic and legislative scenario, new loans to SMEs by cooperative banks reached € 29 billion (€ 30 billion in 2014), accounting for approximately 45% of new loans to companies.

Bad debts increased at a slower rate than in 2013 and 2014. Cooperative banks, which had gross bad debts of € 41 billion, or 21.3% of the total for the banking industry, maintained ratios essentially equal to the previous year and significantly below their share of the total loan market. These results were due to such banks' close relationships with their local communities and the economic difficulties that inevitably translated into credit quality issues. The risk level of banks in this category remains below that of the industry at large for both enterprise customers, where it is lower by 2.8 percentage points, and minor business customers (-1.5%).

The International Monetary Fund's projections for 2016 call for a scenario of consolidation and improving economic expectations. Within this scenario, the Italian banking industry is expected to resume growth of major balance sheet indicators and improvement of its earnings margins.

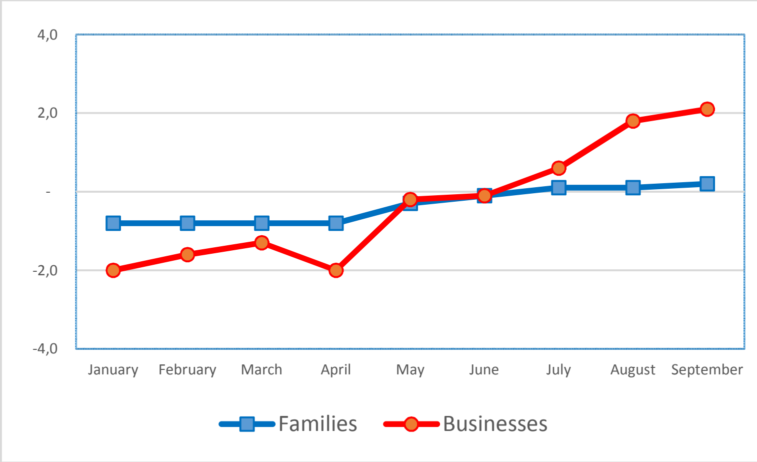
2 Source: National Association of Cooperative Banks: Characteristics and prospects of the Italian economy

The regional banking system[3]

The September 2015 figures appear to confirm the stability of loans to families (+0.2%) and the slight recovery of loans to businesses (+2.1%). (Fig. 3: Bank loans - annual percent changes in Friuli Venezia Giulia).

Average bank interest rates continued to decline. The deposit rate growth remained stable for families at around 2.5%, but fluctuated for businesses, coming to +9.0% in September.

Credit quality deteriorated: the flow of new bad debts reached 5% for companies and amounted to just above 1% for families.



The Banca Popolare di Cividale branch network

The Bank's branch network consisted of 75 operational branches at 31 December 2015.

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

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

Human resources

At 31 December 2015, the human resources of Banca Popolare di Cividale S.C.p.A. numbered 592, compared to 583 in December 2014 (consolidated figure).

During the year, 22 employees were hired and 13 left. The finalisation of the company reorganisation process also entailed the direct transfer of eight former Civileasing employees. The sales network (branches) employs a staff of 396, representing 66.9% of the total headcount.

[3] Source: Friuli Venezia Giulia monthly statistical summary

Human resource statistics

Classification of staff by professional category:

	31.12.2015			31.12.2014		
	Men	Women	Total	Men	Women	Total
Senior managers	10	1	**11**	8	1	**9**
Middle managers	187	41	**228**	189	34	**223**
Middle managers – part time	-	11	**11**	-	11	**11**
3rd professional area	150	141	**291**	146	138	**284**
3rd professional area – part time	5	43	**48**	4	44	**48**
2nd professional area	1	2	**3**	3	5	**8**
1st professional area	-	-	-	-	-	-
Total	**353**	**239**	**592**	**350**	**233**	**583**

Incoming and outgoing personnel:

	Changes 2015			Changes 2014		
	Men	Women	Total	Men	Women	Total
Hirings	14	8	**22**	3	1	**4**
of which: business combinations	6	2	**8**	-	-	-
Terminations	11	2	**13**	12	2	**14**

Breakdown of workforce by age, gender and education:

	31.12.2015			31.12.2014		
	Men	Women	Total	Men	Women	Total
No. of employees by gender	353	239	**592**	350	233	**583**
Percentage of employees by gender	59,6%	40,4%	**100,0%**	60,0%	40,0%	**100,0%**
Average age (years)	46,45	42,90	**45,05**	46,00	42,30	**44,55**
Level of education						
University degree	139	111	**250**	134	104	**238**
Secondary school diploma	206	124	**330**	208	125	**333**
Other	8	4	**12**	8	4	**12**

Breakdown of workforce between headquarters and branch network:

	Number of employees			
	31/12/2015	%	31/12/2014	%
Headquarters	196	33,1%	183	31,4%
Branch network	396	66,9%	400	68,6%
Total	**592**	**100,0%**	**583**	**100,0%**

Training

As in previous years, the 2015 Training Plan was drafted according to the guidelines envisaged in the three-year Strategic Plan (2014-2016). 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, finance and products) and initiatives concerning laws and regulations (prevention of money-laundering, the administrative liability of entities, internal control system, workplace safety, etc.). During 2015, the employees of Banca Popolare di Cividale S.C.p.A. received a total of five days of training each. A total of 22,834 hours of training, corresponding to 3,045 man-days, were provided.

Particular attention was devoted to organising courses concerning legal obligations, with a special focus on IVASS rules (IVASS 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 providing training and refresher sessions for personnel concerning money-laundering prevention rules pursuant to Legislative Decree No. 231 of 2007, and training was also supplied to members of the Board of Directors and Board of Statutory Auditors.

Document on 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 Compensation Policies for 2016. This document provides a detailed account of the Banca Popolare di Cividale'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.

In response to the supervisory provisions, the document requires that a part of the variable compensation of key staff be paid in financial instruments, specifically the Bank's shares. Under the Consob rules governing the issuers of financial instruments, this therefore results in the obligation to draw up a new prospectus to be submitted for the approval of the shareholders' meeting, describing the compensation and the forms of remuneration paid in financial instruments.

A detailed disclosure of the implementation of compensation policies is also 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 human resources.

Mission and values

The mission of Banca Popolare di Cividale S.C.p.A. 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 Bank 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.

Banca Popolare di Cividale S.C.p.A. 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.

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

The mission of Banca Popolare di Cividale S.C.p.A. is inspired by the following values:

- *Driving change*

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

- *Independence*

Banca Popolare di Cividale S.C.p.A. 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 Bank'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 at our Bank. 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 Banca Popolare di Cividale S.C.p.A. over time leverages the Bank'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 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, Banca Popolare di Cividale S.C.p.A. intends to foster economic, social and cultural development in the area where it operates.

- *Identity and history*

The Bank'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 15,250 shareholders at 31.12.2015, the result of the purchase of interests by 934 new investors and the sale of interests by 228 shareholders.
A total of 1,019 transactions involving a total volume of 132,208 shares were executed during the year. During 2015, 934 applications for the admission of new shareholders were reviewed and approved. Changes in the Bank's shareholders over the past five years are illustrated below:

Year	Incoming shareholders	Outgoing shareholders
2011	570	384
2012	1,012	608
2013	1,236	551
2014	1,831	281
2015	934	228

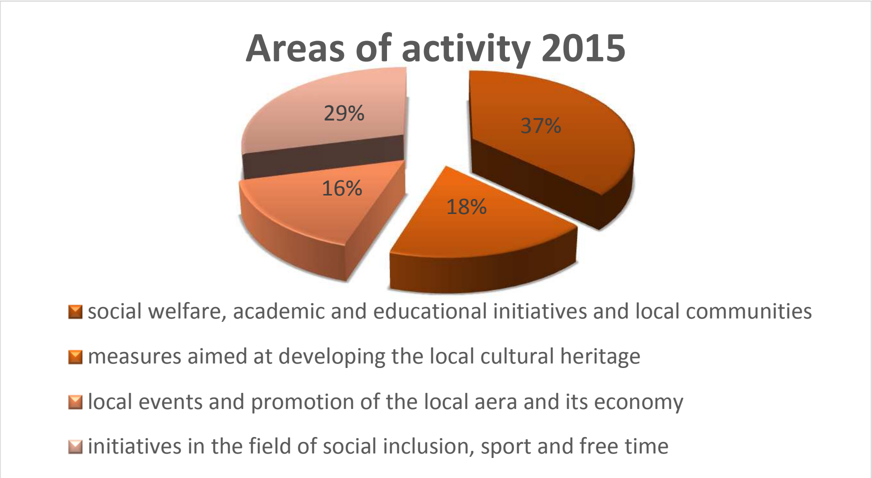
Annual report on the mutual nature of the cooperative and corporate social responsibility

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 Bank'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 Bank pursues the wellbeing, promotion and development of its local communities, both in its traditional base of operation and new areas, in accordance with the mutual nature of cooperative banking.
The Bank'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 2015, 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. 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 "[i]n 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 2015 appears especially significant in this respect, in that it indicates that the shareholders of Banca Popolare di Cividale who are also customers of the Bank represent 94% of total shareholders.
During 2015, 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 Bank’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 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.

Social responsibility

Banca Popolare di Cividale’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 institution 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 Bank 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 Bank'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. In 2015 Banca Popolare di Cividale continued to support local entities and associations in continuing to do their work on behalf of the community.
A total of € 144 thousand in charitable donations were made to schools, entities, athletic and cultural associations and societies operating in the region.
An additional € 290 thousand was provided to local entities for which the Bank provides treasury service.
Accordingly, the total amount of funds donated to socially relevant initiatives came to € 434 thousand in 2015.
Banca Popolare di Cividale also invested € 403 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 Bank's annual social commitment in the community came to € 837 thousand.



The Bank's endeavours to make the most of the community's rich historical and artistic heritage enabled important cultural activities to be carried out.

The 37th 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.

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.

Banca Popolare di Cividale also supported the event Festival is History, which is organised in Gorizia each year with the participation of illustrious guests who discuss the great themes of historiography. Support also continued to be provided for Carniarmonie, a series of prestigious musical events organised in places of rare beauty in Carnia, and to the Sergio Gaggia Musical Association, which organises important musical events and seasons in the area.

In 2015 Banca Popolare di Cividale continued to support cultural activity promoted by the Teatro Nuovo Giovanni da Udine Foundation, and in particular the Children's Theatre review, which allows young spectators and their families to became acquainted with and passionate about the world of theatre, thus stimulating and developing their curiosity, participation and cultural growth. During the year, support continued for the Cinematographic Expressions Centre of Udine and the Officine D'Autore Association, which is committed to promoting quality cinema and re-discovering community cinemas.

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.

In 2015 Banca Popolare di Cividale joined the Foundation for Financial Education and Savings, an organisation formed at the initiative of the Italian Banking Association in order to promote financial education, according to a broader conception of education in pursuit of informed, active economic citizenship, with the aim of developing and spreading an understanding of finance and economics throughout Italy. In the context of this important partnership, the tenth Regional Savings Day was held on 29 October 2015 at the Teatro Nuovo Giovanni da Udine: over 500 students from upper and lower secondary schools from the entire region attended the event Economi@scuola - a lesson in economic citizenship, an educational initiative promoted by the Bank with the support of the Foundation for Financial Education and Savings and the Regional Scholastic Office for Friuli Venezia Giulia. The goal of the event is to combat the increasing prevalence of financial illiteracy amongst young Italians.

During the exercise, the Bank renewed its support for the Origins course organised by the MIB School of Management of Trieste: an extraordinary educational experience for the descendants of the world's Friulans and Julian-Dalmatians who, following a period of academic education in international development, began internships at prestigious firms in Friuli Venezia Giulia. Fostering collaboration between the region's companies and regional natives abroad, strengthening the professional and cultural bonds between emigrants and their homeland and honing the new management and international business skills of the young participants in the course are the goals pursued by the four-month training initiative.

Banca Popolare di Cividale also contributed to the organisation of the event Start Cup FVG 2015, a competition between innovative ideas and start-ups devised to support young entrepreneurs and promote the creation and growth of business initiatives. The Bank also supported the initiative Labor.comm of Tavagnacco, a co-working workshop.

Local promotion is another of the Bank's prerogatives, and its support for local development events is proof of that fact. The Bank continued to collaborate with the San Daniele Ham Consortium in 2015 to organise the international event 'Aria di Festa' (A Festive Air), for which Banca Popolare di Cividale acted as sponsor to the event. Support was also renewed for the Pro Loco Association of Friuli Venezia Giulia and its initiative Christmas at the Villa: Nativity Scenes in Villas, Tour of Nativity Scenes in Friuli Venezia Giulia, a Nativity Scene Competition in Primary and Nursery Schools in Friuli Venezia Giulia, in addition to support for the Association of Alpine Refuge Managers and Hikers of Friuli Venezia Giulia and Veneto in relation to 'Girarifugi 2015', a project aimed at promoting tourism in the region's mountainous areas.

The Bank also supported the charitable event Friends to Cividale, a great celebration involving music, dance, art and culture that drew some of Italy's greatest artists, along with the country's best new music and art offerings, to a single stage, in response to the call from Monfalcone-native singer Elisa.

In the athletic arena, Banca Popolare di Cividale supported the *Jena* in the race Barcolana 2015: the boat placed second in the world's largest sailing regatta, which was held in Trieste in October. The Bank is also partnering with Udinese Calcio on the hospitality project relating to the new stadium and supported the local club's 2015-2016 season-ticket campaign.

Banca Popolare di Cividale continued to play an active role in the areas of sport and free time, also continuing to support for automobile racing (including the Friuli and Eastern Alps Rally, the Verzegnis - Sella Chianzutan race and the Cividale - Castelmonte time trial), 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. In addition, for several years the Bank has been supporting the Udine University Athletic Centre, which works in direct contact with the University of Udine and contributes to the activity of the basketball team Amici Pallacanestro Udinese, which plays in the Serie B league.

In 2015 the Bank launched the project ConcrEthical Banking, a series of initiatives conceived to express the Bank's close rapport with the community, presented at the Bank's headquarters during the summer. A project based above all on concrete numbers - € 80 thousand - funded with resources drawn from operations and increased due to a successful crowdfunding operation conducted on the Internet, involving thousands of users and hundreds of volunteer associations based in the region.

Banca Popolare di Cividale decided to allocate € 30 thousand of the total € 80 thousand to the purchase of 15 defibrillators. Some of these were delivered to the representatives of several particularly isolated municipalities in the Natisone Valleys, far from hospitals and first-aid centres, such as Drenchia, Pulfero, Grimacco and Savogna. Other beneficiaries included San Giovanni al Natisone, Pavia di Udine, Gemona, Tavagnacco and Remanzacco. The other life-saving devices will be delivered to other local communities shortly. Banca Popolare di Cividale also bore part of the costs of training 30 operators from the beneficiary municipalities in the use of these fundamental life-saving devices. The courses were held at the Bank's offices in collaboration with Red Cross personnel (Udine delegation).

"A Vote that Really Counts and Costs Nothing" is the name of the initiative promoted by Banca Popolare di Cividale on the Internet in support of the socially beneficial projects conceived and managed by local non-profit associations. The Bank provided a donation of € 50 thousand. Through the dedicated website www.progettocivibanca.it, the crowdfunding portal of the innovative Civibanca 2.0 Project, the public was able not only to vote for its favourite projects, but also to contribute directly to them by making a donation, in some cases of a symbolic amount of just a few euros. At the end of the process, which involved the participation of 327 associations and collected over 10,000 votes, the total sum gathered was € 70,000, of which € 20,000 came from spontaneous donations. Overall, 113 associations received the votes necessary to receive a portion of the contributions provided.

In light of the great success of the Civibanca 2.0 Project - which received special mention for its innovative characteristics, social impact and concrete nature in the 2015 Banking Services Innovation Award established by the Italian Banking Association - and the large number of organisations that participated in the initiative, starting in 2016 Banca Popolare di Cividale will begin organising free training courses to aid associations in benefiting to the utmost from the visibility and attention to their presence on the crowdfunding portal www.progettocivibanca.it.

For the 2015 Christmas holidays, Banca Popolare di Cividale once more decided to put the sum spent each year on personal organisers and year-end gifts to local associations, organisations and schools committed to important projects focusing on the social and cultural development of the community.

Mention should be made of the participation of Michela Del Piero, Chairman of Banca Popolare di Cividale, in the opening of the Forum CSR 2015 dedicated to corporate social responsibility, organised by the Italian Banking Association and held on 1 December 2015 at the Association's headquarters. The event focused on the role of banks in supporting the entrepreneurial system and individuals to encourage economic activity and individual and family projects and to face the challenges of economic growth, along with those of social and environmental development.

The reader is referred to Banca Popolare di Cividale's forthcoming 2015 Social Responsibility Report.

Bank’s operating performance during the year

The reporting year was characterised by a general improvement of economic indicators and the family and business confidence climate. GDP has finally begun to grow, for the first time after a long period of recession, international demand is rising, the recovery of private consumption has been consolidated, employment prospects are improving and the propensity for investment is rising. The recovery, which now seems well on its way, nonetheless requires further signs of consolidation in a macroeconomic scenario that is difficult to

interpret. The market volatility caused by the economic crisis in China, slowdown of emerging market economies, declining oil prices, currency market turbulence, and excessive strengthening of the euro are only some of the elements that are straining the still fragile recovery in advanced economies.
For Banca Popolare di Cividale, 2015 was a positive year, marking clear progress compared to 2014. Important signs of improvement of the real economy may be seen. The credit dynamic is positive. New disbursements, which together exceed € 221 million of loans, show significant percent growth. The group's restructuring processes, completed during the year, allowed it to strengthen the Bank's balance sheet and liquidity positions, which are currently among the soundest in the industry.
The year concluded with another positive event, represented by the completion of the process of selling a majority interest in Istituto Centrale delle Banche Popolari Italiane (I.C.B.P.I.) to Mercury Italy (a vehicle held indirectly by the funds Bain Capital, Advent International and Clessidra SGR) by Italy's foremost cooperative banks, as discussed in detail below.
The company, in which Banca Popolare di Cividale has always held an interest, is currently Italy's number-one payment and credit card systems operator. For Banca Popolare di Cividale, the sale resulted in the recognition of a positive effect on the income statement (gross of the tax effects) of approximately € 66.5 million, and thus in a further significant enhancement of the Company's financial profile.
Financial solidity is a key factor to banks' current operating scenario, marked by increasingly strict regulatory constraints, and it places the Bank in conditions of total security, including as regards the outcome of the prudential assessment process (SREP - the Supervisory Review and Evaluation Process) conducted by the supervisory authority. At 31 December 2015, capital ratios were far above the minimum requirements set by the Bank of Italy.
Nonetheless, 2015 was a "difficult" year for the Italian banking industry as a whole, which was called on to respond to the crisis affecting four Italian financial institutions and the resulting negative media campaign, which resulted in a decrease in investor confidence with few precedents in Italy's recent history. The resolution measures, decided on as a last resort by the competent authorities, allowed more severe consequences for the Italian economy as a whole to be avoided, but required a significant sacrifice from all other Italian banks. For Banca Popolare di Cividale, the extraordinary contribution was € 6.2 million, charged in its entirety to the income statement, in addition to the € 0.4 million of contributions to the Interbank Deposit Protection Fund.
Banks are facing an imminent scenario of profound transformation of the traditional retail banking service model that takes account of the ongoing digital revolution, the development of the European regulatory scenario, and prospects of continuing low interest rates for an extended period. In such a complex operational scenario, banks today must necessarily increase their efficiency in order to allow investors to achieve returns sufficient to attract the capital that is needed to fully support the economic recovery in Italy. This - which we may term the profitability challenge - will be the priority on which the Bank's managerial action will need to focus in 2016, including in the form the new 2016-2018 business plan currently being drafted.

Main aspects of commercial activity

Sales and marketing policy

During 2015, the Bank continued to implement its sales and marketing policy, focusing on rationalising its product catalogue and implementing commercial initiatives aimed at helping bank branches reach their targets for direct, transparent relations with their customers. The Bank 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 Bank to strengthen its customer relations, through intense cross-selling and customer loyalty programmes, while also increasing the number of the Bank's customers through 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 Bank's diversified solutions, aimed at satisfying customers’ specific needs, contributed to increasing the number of new customers who decided to choose our Bank. The net balance of new accounts opened and accounts closed came to over 2,000 new current accounts opened, resulting in an increase in the Bank’s individual and family customers of 3.2%.
In Internet banking services, in 2015 there was increasing use by customers (both individuals and companies) of online account consultation and transaction services, available 24 hours a day, in a completely secure manner, directly from home or on the go using various devices (PCs, tablets and smartphones). At year-end,

there were 29,180 active users (+12.5% compared to the previous year). During the year, the test phase was completed for the new Internet banking application BPC Online, which has been available to the Bank's employees since December and to consumer customers since January 2016. Technical development continued in 2016 with the release of the application for other customers (professionals, businesses and organisations) and the definitive discontinuation of the previous application, CiviB@bnk.
The security measures implemented in 2015 have continued to prove effective, as witnessed by the absence of fraud.
In the electronic payments sector, payment card distribution continued to yield significant results in 2015: CartaSi credit cards climbed to 19,900 active cards, up by 6.6%; CiviPay prepaid cards increased by 10.9% to 10,900; and Bancomat debit cards in issue numbered approximately 34,500, up by 6.1%.

Credit products
In 2015 the Bank’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 € 81.5 million (+68.5%).
In the personal loan segment, commercial offerings were characterised by the Civiprestito line of products and credit products intended for energy saving initiatives and improving the energy efficiency of buildings under the name Ecoprestito. The volume of credit disbursed in 2015 came to € 24.3 million (+36.5%).

Investment/security products
In 2015 investment products maintained, and, in some cases, improved on, the positive performances recorded in 2014. The monetary policy pursued by the world's main central banks, and by the ECB in particular, with the launch of QE, fostered stabilisation of interest rates at very low or even lower levels, which, combined with the normalisation of economic conditions in countries that had been faced with periods of severe recession and social difficulties, resulted in abundant liquidity in the financial system, which drove investments in both equity and bond markets. Asset management products succeeded in capturing a significant share of this asset flow, especially in the investment funds and SICAV sectors, which recorded net inflows of nearly 20% compared to 2014.
As the need to invest has increased, so has the need for security, which resulted in a sharp rise in demand for policies, concentrated mainly casualty policies, met by distributing the products of the Bank's partner ITAS Assicurazioni, and the policies issued in 2015 were up by 23.8% on 2014. Finally, it should be noted that in the fourth quarter of 2015 investment life insurance policies began to be distributed with the new partner EUROVITA, meeting with considerable interest from the outset.
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. The range of products was updated constantly throughout the year, so as to keep pace with market interest rate movements and ensure that offerings remained competitive. Overall, the funds raised through these instruments that combine security and a high level of return exceeded € 283 million.
In 2015 the Bank also completed an online presence project, with the launch of ContoGreen, a deposit account reserved solely for new customers via the Internet channel, which raised more than € 27 million for approximately 500 new customers, primarily concentrated in large Italian metropolitan areas (Milan, Rome, Naples and Turin).

Products and services for businesses and entities
In 2015 initiatives continued with the aim of facilitating access to credit by small and medium enterprises in order to mitigate the negative effects of the economic cycle.

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.
Of particular significance was the launch of direct operations with the SME Guarantee Fund (Law 662/1996), which facilitates access to credit for SMEs through public guarantees, with costs borne by the Bank.
During the year, new loans to businesses of € 15.5 million guaranteed by the Fund were disbursed (+50.7%).
Further support for credit was provided by collaboration with the guarantee consortia system. New loans disbursed thanks to guarantees provided by the guarantee consortia of Friuli Venezia Giulia and Veneto amounted to € 48.9 million (+32.7%).
The agreement with the European Investment Bank (EIB) provided access to total additional resources of € 23.7 million (+115.8%), used to supply financing to SMEs at competitive interest rates, thanks to the financial advantage conferred by 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 a total of € 22 million. Among these, the primary sector was of particular significance, with € 11.7 million of funding provided drawing on the rotating funds for agriculture made available pursuant to Regional Law No. 80/1982. Subsidised loans for industry, crafts, trade and services drawing on the Rotating Fund for Economic Initiatives and the launch of the Development Fund saw the approval of € 8.7 million of new loans (+10.8%).
The number of POS terminals installed on the premises of merchants came to 2,750, up by 8.5% compared to the previous year, while active and passive CiviB@nk CBI multi-bank remote banking connections reached 3,615 units, an increase of 3.3%.

Changes in the organisational structure and procedures

Monitoring Practice

In order to ensure that credit is constantly monitored, in early 2015 the Monitoring Practice application was released to the entire network. The application is used to manage the monitoring of non-performing loans according to a structured approach on the basis of key indicators aimed at identifying anomalous events or behaviour. The application also allows timely identification of relationships with signs of anomaly and thus potentially indicative of difficulty for the customer, providing the manager the information needed to analyse the situation and determine the resulting action for recovery or restoration of the relationship to regular status. All of the manager's actions are documented in the application, which automatically manages the various phases of operations, standardising the way in which the entire process is carried out. The information structured in this manner, which permits timely, effective credit management by ensuring that action is taken for relationships at the first sign of anomaly, thus optimising the result of such activity, is constantly available to the entire organisation responsible for the credit process at the various established levels.

Digital ink signature

The digital ink signature solution for branch documentation was fully released for all branches in the second half of 2015. The process began at several pilot branches in order to adequately assess the impact on operations and customers' responses to this innovative technology.
It was then released to the entire network, where it met with very positive feedback from customers, who welcomed the improved branch process performance and the elimination of a considerable part of print documents. Internet banking users have access to such documents in the area of the website dedicated to communications, where they can be consulted and printed at any time. In 2016 the range of documents that may be signed with the digital ink signature will be extended from branch documentation only to specific documents bearing on contractual relationships, in view of the ultimate goal of full conversion of contracts to electronic format.

Significant events during the year

Significant events during the year included:

Sale of the equity interest in ICBPI

The sale of the 4.44% interest in Istituto Centrale delle Banche Popolari Italiane S.p.A. ("ICBPI") to Mercury Italy S.r.l. (a vehicle indirectly owned by the funds Bain Capital, Advent International and Clessidra SGR) was finalised on 18 December. Following the sale, the Bank retains an interest (0.70%) in the "new" ICBPI. A shareholders' agreement has been signed with Mercury Italy S.r.l., establishing governance rules and the rules for circulation of ICBPI shares. This arrangement will allow the Bank to keep its presence and continue to benefit from the opportunities that may be offered by a sector such as electronic payments and new technologies, poised to undergo rapid development.

The transaction involved the collection of consideration of € 96 million and the recognition of a net capital gain of € 62 million. The sales agreement also calls for an additional price component in the form of an earn-out based on future income, possibly to be paid to CartaSi S.p.A. by Visa Inc. for the sale of the equity investment held by the latter in Visa Europe. From an operational and commercial standpoint, the current arrangements between the selling shareholders and I.C.B.P.I. have been extended until December 2020, with a right of withdrawal granted on the third anniversary of closing.

Mergers
As part of the process of simplifying and reorganising the Group's structure launched in 2013, the year saw the completion of the mergers of Tabogan S.r.l. (April 2015) and Civileasing S.p.A. (December 2015) into Banca Popolare di Cividale S.C.p.A.

Investigation by the Public Prosecutor’s Office of Udine
On 22 April 2015 the judge for the preliminary hearing of the Court of Udine ordered the commencement of proceedings against Banca Popolare di Cividale. In March 2016, witness testimony began to be collected from former exponents of the company in connection with the predicate offences for Legislative Decree 231/2001 (primarily bribery between private parties and inducement of perjury). The events have not changed the directors' view of the risk to which the Bank is exposed under Legislative Decree No. 231/2001. The directors thus did not deem it necessary to recognise a provision at 31 December 2015.

Specific capital requirements
On 23 December 2015 Banca Popolare di Cividale received the final decision from the Bank of Italy concerning the capital requirements to be satisfied with effect from 1 January 2016, on the basis of the results of the Supervisory Review and Evaluation Process (SREP): a Common Equity Tier 1 ratio of 6.9% and a Total Capital ratio of 8.9%. The Bank's directors do not foresee any difficulty with regard to the current and prospective ability of Banca Popolare di Cividale to satisfy the established requirements.

Subsequent events
Inspection by the supervisory authority
The Bank of Italy’s ordinary inspection began on 8 February 2016 and is still in progress.

Possible measures pursuant to Art. 2393 and/or Art. 2407 of the Italian Civil Code concerning events relating to the construction of the new headquarters of Banca Popolare di Cividale S.C.p.A. and associated real-estate transactions
The date on which these financial statements were presented marked the conclusion, with the preparation of an external legal opinion, of consulting activity concerning the assessment of possible liability for the directors and statutory auditors of Banca Popolare di Cividale S.C.p.A. and Tabogan S.r.l. in connection with the management of the project to build the Bank's new headquarters. The opinion was requested in response to the inspection report by the Auditing Department presented in the second half of 2015, as requested by the previous Board of Statutory Auditors. The opinion identifies numerous possible types of liability for both the directors of Tabogan and the directors and statutory auditors of BPC in office when the construction contract was awarded to Steda S.p.A., on the basis of a thorough, in-depth analysis of the facts and available documentation. The document thus concludes that it will be appropriate for the shareholders' meeting to discuss whether to take the actions set forth in Articles 2393 and 2407 of the Italian Civil Code against the groups of parties mentioned.
From the procedural standpoint, the same opinion indicates that, following the merger of Tabogan S.r.l. into Banca Popolare di Cividale the latter's shareholders' meeting is responsible for approving actions pursuant to Articles 2393 and 2407 of the Italian Civil Code, against both the directors of Tabogan S.r.l. and the directors and statutory auditors of Banca Popolare di Cividale S.C.p.A. in office at the time of the events. The Board of Directors did not identify any accounting impact on balance sheet values relating to the Bank's new headquarters, which have been presented in the financial statements at 31 December 2015 on the basis of a sound application of international accounting principles.

With the exception of the foregoing, from the end of 2015 to the date of approval of this report there were no material events of a sort that would have a significant effect on either the earnings and financial position of the Company or on the representation thereof.

Analysis of main balance-sheet aggregates and earnings results

The Bank ended 2015 with a net income of € 24,053 thousand, driven in particular by trading, which was shaped by the net capital gain on the sale of the equity interest in ICBPI. More generally, financial performance for the year began to reflect the first signs of a recovery in Italy's real economy. Credit performance was positive, with a significant improvement in new loans. Operating margins on business with customers were driven by the resilient performance of net interest income and the increase in fee and commission revenue.

Funding and lending volumes decreased slightly, reflecting industry-wide trends. Loans stood at € 2,683,711 thousand, down by 1.9% from € 2,735,250 thousand at 31/12/2014. However, new loans during the year totalled nearly € 221 million. New loans to private customers during the year reached € 115 million (+31%) compared to the previous year, whereas new loans to companies reached € 106 million.

Direct funding, net of the institutional component (Cassa di Compensazione e Garanzia), amounted to € 2,561,759 thousand, down by 0.8% compared to December of the previous year.

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). In all schedules of the report on operations, the comparative period has been normalised to ensure a consistent basis of comparison with the company's situation in 2015 following the merger of Civileasing S.p.A. and Tabogan S.r.l.

Reclassified balance sheet

For the purposes of this report on operations, amounts due to institutional counterparties (Cassa Compensazione e Garanzia) have been reclassified from "Due to customers" to "Due to banks" (€ 760,745 thousand at 31.12.2015 and € 118,564 thousand for the comparative period).

ASSETS	31/12/2015	31/12/2014*	Var %
Cash and cash equivalents	18.381	18.487	-0,6%
Financial assets held for trading	1.220	3.032	-59,8%
Financial assets available for sale	1.164.689	1.033.838	12,7%
Attività finanziarie detenute sino alla scadenza	32.716	64.697	-49,4%
Due from banks	40.385	159.347	-74,7%
Loans to customers	2.683.711	2.735.250	-1,9%
Investments in associates and companies subject to joint	6.427	6.476	-0,8%
Property, plant and equipment and intangible assets (1)	92.296	103.971	-11,2%
Other assets (2)	128.192	105.315	21,7%
Total assets	**4.168.018**	**4.230.413**	**-1,5%**

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*
(1) The aggregates include captions "110. Property, plant and equipment" and "120. Intangible assets";
(2) The aggregates include captions "130. Tax assets" and "150. Other assets".

LIABILITIES	31/12/2015	31/12/2014*	Var %
Due to banks	1.167.164	1.240.387	-5,9%
Direct funding from customers (1)	2.561.759	2.583.466	-0,8%
Financial liabilities held for trading	740	1.036	-28,6%
Other liabilities	110.217	118.034	-6,6%
Specific provisions (2)	14.567	9.730	49,7%
Shareholders' equity (3)	313.570	277.760	12,9%
Total liabilities	**4.168.018**	**4.230.413**	**-1,5%**

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*
(1) The aggregate includes captions "20. Due to customers" and "30. Debt securities issued";
(2) The aggregates include captions "110. Employee termination benefits" and "120. Provisions for risks and charges";
(3) The aggregate includes captions "130. Valuation reserves," "150. Equity instruments," "160. Reserves," "170. Share premium," "180. Share capital," "190. Treasury shares," and "200. Net income / (loss)."
(i) For the purposes of this report on operations, amounts due to institutional counterparties (Cassa Compensazione e Garanzia) have been reclassified from "Due to customers" to "Due to banks" (€ 760,745 thousand at 31.12.2015 and € 118,564 for the comparative period).

Loans to customers

At year-end, total loans to customers amounted to € 2,683,711 thousand, down by 1.9% compared to the 2014 consolidated figure.

In 2015 the persistence of the weak economic scenario was reflected in recovering, yet still weak, demand for credit by businesses and households.

Nonetheless, despite the stringent operating conditions, the Bank continued to provide credit in support of the local real economy, disbursing approximately € 115 million to households and € 106 million to SMEs.

Breakdown of loans to customers - period-end figures in thousands of euros

(thousands of euro)	31/12/2015	31/12/2014	Var.
Current accounts	312.781	126.772	146,7%
Mortgage loans	1.419.551	1.762.613	-19,5%
Credit cards, personal loans and loans repaid by automatic deductions from wages	54.348	47.358	14,8%
Finance leases	220.716	244.655	-9,8%
Other	278.271	179.417	55,1%
Total performing loans	**2.285.667**	**2.360.814**	**-3,2%**
Bad debts	200.473	180.187	11,3%
Unlikely to pay	177.892	164.741	8,0%
Past-due loans	19.678	29.508	-33,3%
Total non performing loans	**398.043**	**374.436**	**6,3%**
Total loans	**2.683.711**	**2.735.250**	**-1,9%**

Quality of customer loans - breakdown

A. ON-BALANCE-SHEET EXPOSURES	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure	Hedging	Writedowns
				dic-15	dic-15	dic-14	dic-14	dic-14
A.1 Bank Group								
Bad loans	473.570	273.096		200.473	57,7%	180.187	55,98%	229.102
Unlikely to pay	230.091	52.199		177.891	22,7%	164.741	26,38%	59.019
Past-due loans	23.826	4.148		19.678	17,4%	29.508	8,47%	2.731
Other assets	2.302.602	X	16.934	2.285.668	0,74%	2.360.814	0,80%	18.926
TOTAL A.1	**3.030.088**	**329.444**	**16.934**	**2.683.711**	**11,4%**	**2.735.250**	**10,2%**	**309.778**

Credit quality was affected by the ongoing recession. At the end of the period, total non-performing loans, net of adjustments, amounted to € 398,043 thousand (after adjustments of € 329,444 thousand), marking an increase of 13.3% compared to the € 290,852 thousand in the previous year.
In further detail, bad debt positions, net of adjustments, stood at € 200,473 thousand, compared to € 180,187 thousand in the previous year, representing an increase of 11.3% and accounting for 7.5% of the total loan portfolio, with a coverage ratio of 57.7%.
Other doubtful positions amounted to € 197,569 thousand, up by 1.71% from € 194,249 thousand at the end of 2014, accounting for 7.4% of the overall loan portfolio. Of this amount, € 177,891 thousand (compared to € 164,741 thousand at the end of December 2014) consisted of unlikely to pay positions and € 19,678 thousand of past due positions, compared to € 29,508 at the end of 2014. The overall coverage ratio for non-performing positions was 45.3%.

Customer funding

Total direct and indirect funding came to € 3,530,293 thousand at the end of 2015, marking an increase of € 67,169 thousand or 1.9% on the previous year.

	31/12/2015	31/12/2014	VAR	VAR %
Direct funding	**2.561.759**	**2.583.466**	**(21.707)**	**-0,8%**
Due to customers	2.086.029	1.894.460	191.569	10,1%
Debt securities issued	475.730	689.006	(213.276)	-31,0%
Indirect funding:	**968.534**	**879.658**	**88.876**	**10,1%**
Assets under administration	248.175	292.738	**(44.563)**	-15,2%
Assets under management	720.359	586.920	**133.439**	22,7%
Total funding	**3.530.293**	**3.463.123**	**67.169**	**1,9%**

Direct funding

Direct funding from Bank customers comprises items 20 “Due to customers” and 30 “Debt securities issued”. At year-end, the aggregate amounted to € 2,561,759 thousand, down by 0.8% compared to 31 December 2014.

Direct funding from customers – figures at 31 December 2015 in thousands of euros

	31/12/2015	31/12/2014	VAR	VAR %
Direct funding	**2.561.759**	**2.583.466**	**(21.707)**	**-0,8%**
Due to customers	2.086.029	1.894.460	191.569	10,1%
Debt securities issued	475.730	689.006	(213.276)	-31,0%

The aggregate may be broken down into “Debt securities issued” (18.6%) and “Due to customers” (81.4%). The aggregate "Due to customers", from which the component relating to institutional counterparties presented above has already been excluded, was up by 10.1%, due in part to the effect of the sale to third parties of the securities relating to the Civitas1 securitisation.

Breakdown of "Due to customers" in thousands of euros

Breakdown	31/12/2015	31/12/2014	%
Current accounts and demand deposits	1.573.078	1.524.084	3,2%
Time deposits	284.813	333.369	-14,6%
Other borrowings	-	642	-100,0%
Other payables	228.138	36.365	527,4%
Total	**2.086.029**	**1.894.460**	10,1%

An analysis of the dynamics that characterised the performance of the component "Due to customers" shows an increase in the growth of the current accounts component. The "Other amounts" component shows a considerable increase, due in part to the sale to third parties of the "senior" securities of the Civitas1 securitisation.

Breakdown of "Debt securities issued" in thousands of euros

Breakdown	31/12/2015	31/12/2014	%
Bonds	443.934	638.158	-30,4%
Other	31.796	50.847	-37,5%
Total	**475.730**	**689.006**	-31,0%

Indirect funding and asset management

Indirect funding, which comprises assets under management and administration, came to € 968,534 thousand at the end of 2015, marking an increase of 10.1%.

Indirect funding from customers – figures at 31 December 2015 in thousands of euros

	31/12/2015	Comp. %	31/12/2014	Comp. %	VAR %
Assets under management	**720.359**	**74,4%**	**586.920**	**66,7%**	**22,7%**
investment funds and ICVCs	390.252	40,3%	329.458	37,5%	18,5%
insurance savings products	99.743	10,3%	60.098	6,8%	66,0%
portfolio products	230.364	23,8%	197.364	22,4%	16,7%
Assets under administration	**248.175**	**25,6%**	**292.738**	**33,3%**	**-15,2%**
Total indirect funding	**968.534**	**100,0%**	**879.658**	**100,0%**	**10,1%**

An analysis of the components of indirect funding shows that assets under management came to € 720,359 thousand at 31 December 2015, up by 22.7% 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 74.4% of total indirect funding at the end of 2015. In further detail, securities- and funds-based portfolio management schemes came to € 230,364 thousand at 31 December 2015, up by 16.7% compared to the previous year. The bancassurance component increased by 66.0% compared to the previous year to reach € 99,743 thousand, whereas investment funds and investment companies with variable capital stood at € 390,252 thousand, up by 18.5% compared to 31 December 2014.
Assets under administration decreased by 15.2%, or € 44,563 thousand, compared to the previous year.

Interbank market activities

At 31 December 2015, the Bank's fund-raising and lending activity on the interbank market stood at a net debtor position of € 1,108,398 thousand (compared to a net debtor position of € 1,062,554 thousand at 31 December 2014).

Interbank position	31/12/2015	31/12/2014	Absolute	Var %
Cash and cash equivalents	18.381	18.487	(105)	-0,6%
Loans to banks	40.385	159.347	(118.962)	-74,7%
Due to banks	(1.167.164)	(1.240.387)	73.223	-5,9%
NET INTERBANK POSITION	**(1.108.398)**	**(1.062.554)**	**(45.844)**	**4,3%**

Finance

Management of the Bank'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 € 480 thousand, compared to € 1,996 thousand at the end of the previous year, and consisted largely of equities and trading derivatives. 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	31/12/2015	31/12/2014	%
Debt securities	66	1.451	-95,5%
Equity securities and UCIs	391	222	75,9%
Total assets	457	1.674	-72,7%
Financial deriatives	764	1.358	-43,8%
Financial assets held for trading	1.220	3.032	-59,8%
financial liabilities held for trading	740	1.036	-28,6%
Net financial assets/liabilities held for trading	**480**	**1.996**	**-75,9%**

Financial assets available for sale
Financial assets available for sale amounted to € 1,164,689 thousand, compared to € 1,033,821 thousand in December 2014. Breaking down the total at 31 December 2015, € 1,113,812 thousand consisted of debt securities (primarily government bonds of € 1,088,497 thousand and bank bonds of € 13,968 thousand) and € 16,354 thousand of interests in UCIs, 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 € 32,716 thousand 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 Banca di Cividale at 31 December 2015. As indicated in the ESMA document, "sovereign debt" is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.
The following tables present the Bank's exposure to sovereign credit risk by carrying amount, broken down by type of instrument.

Exposure to sovereign debt - book value	Italy	UK
Financial assets available for trading	1.087.259	1.238
Financial assets held to maturity	22.293	
Total	**1.109.552**	**1.238**

Liquidity and the proprietary securities portfolio
In a scenario of uncertainty, characterised by disappointing macroeconomic data for the Euro Area and Italy, in 2015 the performance of Italian government bonds, which make up the bulk of the proprietary portfolio, was driven by the monetary policy measures implemented by the ECB, which, at least in the first half of the year, resulted in a significant decrease in yields on European bonds, and on Italian bonds in particular. In March yields on the ten-year BTP reached a low of 1%.
Later in the year, this trend was reversed by a series of events that led to a sharp increase in market volatility: a) the deterioration of the Greek economy, b) the abrupt slowdown of the Chinese economy and the subsequent rate cuts and depreciation of the yuan adopted by the Chinese central bank, and c) the first rate increase by the Federal Reserve.
In this highly uncertain scenario, the proprietary portfolio continued to achieve its planned objectives in 2015, thus providing an important contribution to net interest income and operating revenues. The portfolio was actively managed, with slightly lower turnover than in the previous year. The timing used in managing exposures resulted in a significant contribution to the total performance. During the year, interest rate risk was gradually contained through reduced exposure to government bonds with residual maturities of more than five years. Available-for-sale (AFS) financial assets came to € 1,164 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 € 33 million and primarily consist of short-term Italian government bonds and, to a residual extent, bank bonds. Held-for-trading (HFT) assets and loans and receivables (LR) represented a marginal portion of the overall portfolio.
At 31 December 2015 liquidity reserves eligible for refinancing operations with the European Central Bank amounted to € 1,384 million, with three-month net liquidity reserves of € 252 million and a liquidity coverage ratio of 145%. Refinancing with the European Central Bank is represented by participation in the TLTRO auction, in addition to participation in the quarterly auctions.
The favourable conditions of the securitisation market, above all transactions with residential mortgage loans as the underlying, were exploited for the partial sale of the senior tranche of the Civitas securitisation, for total funding of € 200 million, with an average duration of approximately four years.

Financial assets and liabilities held for trading	31/12/2015	31/12/2014	var %
Debt securities	66	1.451	-95,45%
Equities and Quotas of UCI	391	222	75,89%
Financial derivatives	763	-	100,00%
Total assets	**1.220**	**1.674**	**-27,1%**
Financial assets available for sale	**-**	**-**	**0,0%**
Debt securities	1.113.812	961.833	15,80%
Equities and Quotas of UCI	50.877	71.988	-29,33%
Total assets	**1.164.689**	**1.033.821**	**12,7%**

Property, plant and equipment and intangible assets

Property, plant and equipment amounted to € 82,929 thousand, down compared to 31 December 2014, due in part to the total impairment losses of € 5,684 thousand recognised on several real-estate assets during the year. The details are provided below.

Used in operations	31/12/2015	31/12/2014
Land	4.933	4.933
Buildings	69.568	70.782
Movables	4.784	5.159
Electrical plant	871	975
Other	2	2
Totale Property and equipment used in operations	**80.159**	**81.852**
Investment property	-	-
Land	2.770	2.770
Total investment property	**2.770**	**2.770**
Total	**82.929**	**84.622**

The intangible assets carried at 31 December 2015 amounted to € 9,367 thousand, compared to € 19,136 thousand at 31 December 2014. The change was primarily due to goodwill, which fell from € 19,136 thousand to € 9,136 thousand, due to the recognition of the impairment loss recognised in the income statement.
The impairment test conducted on the goodwill carried in the financial statements indicated that an impairment loss of € 10 million was necessary.
The reasons for the above impairment loss relate to the combined effects of the extended economic recession and the uncertain prospects of a recovery, which had a particularly pronounced influence on the areas in which the Bank operates. The results of the analysis conducted to determine the recoverable amount of the CGU referring to the full perimeter of the Bank indicate a considerably lower contribution to cash flow generation - over a significant time horizon - than considered when determining the original flows.

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.

Shareholders' equity and capital adequacy

At year-end, shareholders' equity, including the net income for the year, amounted to € 313.6 million.
Own funds – a breakdown of which is provided in Chapter F of the notes to the financial statements, along with additional information on capital – came to € 314.3 million as at 31 December 2015.
The level of own funds ensures compliance with capital requirements under applicable regulations. Risk-weighted assets came to € 2,150.9 million.
Capital ratios were as follows:

- ✓ a "phased-in" ***Common Equity Tier 1 ratio*** (i.e., according to the transitional regime) of 13.0% (10.0% at 31/12/2014);
- a phased-in ***Tier 1 ratio*** of 13.0% (10.0% at 31/12/2014);
- a phased-in ***Total Capital ratio*** of 14.6% (10.7% at 31/12/2014).

These ratios are far above the minimum levels set by the supervisory authorities for Banca Popolare di Cividale in the context of the SREP process and place the bank among the highest levels in the entire Italian banking industry.

Art. 136 of Directive EU/2013/36 (Capital Requirements Directive or "CRD4") has also established an obligation for national authorities to set a countercyclical capital buffer ratio with effect from 1 January 2016. This ratio is subject to revision with quarterly frequency. The European regulation was implemented in Italy by Bank of Italy Circular 285/2013, which contains specific rules on this subject, and is applicable at both the individual and consolidated levels. The Bank of Italy, as the authority responsible for adopting general prudential measures in the banking sector, decided to set the countercyclical capital buffer ratio (for exposures with Italian counterparties) at zero percent for the first three months of 2016.

Analysis of financial performance

The results for the period are illustrated below in a condensed format reclassified according to presentation criteria deemed best suited to depicting the Bank's operating performance. The aggregation and reclassification process performed on the items required according to the formats set out in Bank of Italy Circular 262/05 are illustrated in the notes to the schedules. In all schedules of the report on operations, the comparative period has been normalised to ensure a consistent basis of comparison with the company's situation in 2015 following the merger of Civileasing S.p.A. and Tabogan S.r.l.

INCOME STATEMENT DATA	31/12/2015	31/12/2014*	Var %
Net interest income (including result of hedging)	65.285	69.516	-6,1%
Net commissions	22.683	20.955	8,2%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.015	927	9,4%
Net trading income	80.850	35.624	127,0%
Other operating income (expenses) (4)	(236)	459	-151,5%
Operating income	**169.596**	**127.482**	33,0%
Personnel expenses	(40.657)	(39.879)	1,9%
Other administrative expenses (2)	(30.704)	(23.906)	28,4%
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(8.179)	(1.897)	331,2%
Operating cost	**(79.540)**	**(65.682)**	21,1%
Income (loss) from operating	**90.056**	**61.800**	45,7%
Charges/write-backs on impairment of loans and financial assets	(60.393)	(37.049)	63,0%
Goodwill impairment and Profit (loss) on equity investments	(10.049)	(5.223)	92,4%
Net provisions for risks and charges	(5.578)	(2.643)	111,1%
Income (loss) before tax from continuing operations	**14.036**	**16.884**	-16,9%
Tax on income from continuing operations	10.017	(10.895)	-191,9%
Net income for the period	**24.053**	**5.989**	301,6%

** Comparative period "normalised" for comparability with the 2015 scope of consolidation following the Civileasing and Tabogan merger*

(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" (€ 6,232.4 thousand in 2015 and € 6,340.7 thousand in 2014).

(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 € 65,285 thousand, down by 6.1% compared to € 69,516 thousand in 2014. However, net interest on business with customers was stable, primarily due to the repricing measures applied to funding. The commercial spread improved to 1.94%, despite the increasing competitive pressure on asset rates of return, whereas commercial loans remained essentially stable. The change is thus primarily attributable to the carry trade component correlated with the shift in the composition of the securities portfolio.

Net commission income came to € 22,683 thousand, up by 8.2% compared to the previous period, driven by the performance of commissions from the finance area (asset management and bancassurance), which increased by 17%. Commissions on payment systems also increased (+7%), whereas commissions on current accounts decreased (-5%).

Net trading income was € 80,850 thousand, compared to € 35,624 thousand in the comparative period, characterised by non-recurring components (€ 66,486 thousand) associated with the sale of the equity interest (4.44%) in ICBPI finalised at the end of December.

Operating revenues amounted to € 169,596 thousand and increased by 33.0% compared to € 127,482 in the previous year.

Operating expenses totalled € 79,540 thousand, compared to € 65,682 thousand in the comparative period, and included € 6,200 thousand of extraordinary charges associated with the resolution process for four Italian banks (Banca Popolare Etruria e Lazio, Banca Marche, CariFerrara and CariChieti) launched in November 2015 and contributions to the Interbank Deposit Protection Fund of € 384 thousand. Net of those non-recurring components, costs were essentially unchanged. Personnel expenses amounted to € 40,657 thousand, whereas other administrative expenses stood at € 30,704 thousand. Net adjustments to property, plant and equipment and intangible assets of € 8,179 thousand include € 5,684 thousand of impairment losses on several real-estate assets.

Net operating income amounted to € 90,056 thousand, compared to € 61,800 thousand in 2014.

Net impairment losses on loans and other financial assets totalled € 55,462 thousand, resulting in a loan loss rate of 204 basis points, with the clear objective of significantly increasing the total coverage ratio for

non-performing loans, which stood at 45.3%. Net impairment losses on financial assets were € 4,983 thousand and refer to impairment of equities and funds carried in the AFS portfolio.
Net provisions for risks and charges of € 5,578 thousand include € 4 million of provisions relating to the voluntary redundancy procedure involving the use of the solidarity fund in support of income, employment and professional re-adaptation and re-training.
More conservative assumptions concerning the macroeconomic situation and industry trends, in light of persistent risks relating to the prospects of consolidation of the ongoing recovery, entailed the recognition of **impairment losses on goodwill** of € 10,000 thousand, on the basis of the impairment tests performed at the end of the year on the goodwill carried in the financial statements (€ 19,136 thousand at 31 December 2014).
Income before tax from continuing operations thus stood at € 14,036 thousand. Income taxes amounted to € 10,017 thousand.
Net income thus amounted to € 24,053 thousand.

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

a) Financial assets available for sale (-€ 135.8 million); the change was largely due to the purchase of debt securities.
b) Loans to customers (-€ 28.2 million); the change was due to the decline in loans and current account overdrafts. The increase in other transactions was primarily due to the presentation in the schedule for 2015 of finance lease transactions resulting from the merger of Civileasing (which in the comparative period was included in the consolidated, but not the individual, statement of cash flows).
c) Due from banks – other (+€ 118.2 million); the change was primarily the result of the decrease in repurchase agreements.
d) Due to banks – other (-€ 710.5 million); the change was primarily due to the decrease in time deposits with banks.
e) Due to customers (+€ 831.4 million); the change was primarily due to repurchase agreements with the Cassa di Compensazione e Garanzia and the representation in the financial statements of the sale to third parties of the senior notes issued in the Civitas1 mortgage securitisation.
f) Debt securities issued (-€ 213.5 million); the change was due to the redemption of bonds issued.

Organisational structure
The organisational structure of Banca Popolare di Cividale S.C.p.A. is as follows:

- ✓ senior management;
- ✓ sector departments;
- ✓ staff services;
- ✓ in-line services;
- ✓ operational offices (central and peripheral);
- ✓ committees.

Distinct functions characterised by specific objectives may be identified within individual organisational units. The staff of such functions nonetheless report to the head of the organisational unit to which they have been assigned.

Strategic management of the Bank'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 operates in 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 a full range of investment services: 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 2015, 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 94.9% 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.
On 19 June 2015, the shareholding banks signed an agreement governing the sale to Mercury Italia S.r.l. (a vehicle indirectly owned by the funds Bain Capital, Advent International and Clessidra SGR) of an 89% equity interest in ICBPI. The contract also calls for an additional component in the form of an earn-out to be paid to CartaSi S.p.A. by Visa Europe, the amount of which currently cannot be quantified. During its session of 18 December 2015, the shareholders' meeting officially approved the transfer of ownership of ICBPI to Mercury Italia S.r.l.

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 2015 the company reported a net income of € 2.4 million.

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 and among the top fourteen on the nation's insurance market. At 31 December 2015, the ITAS Group 272 agents, and its products are also distributed through 1,200 bank branches, 487 employees and 2,082 agents, sub-agents and contractors.

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

In accordance with current regulations, Banca Popolare di Cividale has adopted specific policies governing the process of determining its current and prospective capital adequacy in respect of the risks assumed and company strategies (Internal Adequacy Assessment Process or ICAAP) and has also reinforced its risk control, governance and monitoring system, which provides for organisational, regulatory and methodological areas.

Starting with the figures at 31 December 2015, according to supervisory regulations, banks must also produce adequate disclosure describing their liquidity governance and management system and explicitly state that there are adequate safeguards for liquidity risk, according to a logic similar to that applied to the adequacy of own funds. This process is designated the Internal Liquidity Adequacy Assessment Process (ILAAP, i.e. the Bank's process of identification, measurement, management and monitoring of liquidity risk) and must be implemented by the Bank in an ongoing manner.

With regard to the risk objective system (the Risk Appetite Framework or RAF), a scheme of reference has been prepared and introduced, defining the risk appetite, tolerance thresholds, exposure limits, risk governance policies and the processes of reference for defining and implementing such policies, all in accordance with the maximum risk that may be assumed. The process of defining and periodically revising the RAF is carried out in conjunction with the Risk Management Service, which supports the general management during the phases of application review and preparation of proposals to be submitted for the approval of the Board of Directors. The process involves a high level of consistency and thorough reconciliation of the RAF, business model, strategic plan, ICAAP, budget, company organisation and internal control system.

A clear identification of the risks to which Banca Popolare di Cividale is potentially exposed (the "risk map") represents the essential foundation for an informed assumption and effective management of such risks.

Given the Bank's mission and operations, and considering the market context in which it operates, the risk map that has been identified essentially reflects the list of risks that is subject to assessment as part of ICAAP (Annex A to Chapter 1, Title II, Part One, of Circular 285, Supervisory Provisions for Banks, concerning the prudential control process), excluding several specific types deemed irrelevant to the Bank (country risk, transfer risk and securitisation risk), with the addition of compliance and property risk.

The main risks thus identified, which are assessed as part of ICAAP and are also monitored in the context of the RAF system, are described below.

- ✓ *Credit and counterparty risk*: the possibility that an unexpected change in the creditworthiness of a counterparty to which the bank has an exposure may generate a corresponding unexpected change in the market value of the credit position. This risk essentially identifies the probability that a borrower will fail to fulfil its obligations or will do so at a delay with respect to the established due dates. Counterparty risk is a sub-case of credit risk, i.e., the risk that a counterparty to a transaction involving certain financial instruments defaults before the transaction is settled. Within credit risk
- ✓ *Market risk* (including basis risk): the possibility of sustaining losses due to changes in the value of an instrument or a portfolio of financial instruments associated with unexpected changes in market conditions (share prices, interest rates, exchange rates, etc.).
- ✓ *Operational risk*: the risk of sustaining losses due to the inadequacy or improper functioning of procedures, human resources, internal systems, or to external events. This category includes losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters. Operational risk also includes legal risk and information technology risk but not strategic or reputational risk.
- ✓ *Concentration risk*: the risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, geographical region or business segment.
- ✓ *Interest rate risk*: the risk associated with assets not held for trading, deriving from the possibility that a change in the rates on which the bank's assets and liabilities are indexed may result in an adverse effect on net interest income or the present value of assets and liabilities, and thus a decrease in the economic value of the Bank. This risk typically manifests itself on positions included in the banking book.
- ✓ *Liquidity risk*: this the risk that the bank may be unable to fulfil its payment obligations, due to an inability to obtain funds on the market, or that it may be forced to meet its payment obligations while

incurring a high cost of funding (*funding liquidity risk*), or the risk that the bank may sustain capital losses due to the presence of limits on the sale of assets regarded as liquid in normal market conditions (*market liquidity risk*).

- ✓ *Residual risk*: the risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected.
- ✓ *Strategic risk* (including the risk associated with equity investments): 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.
- ✓ *Reputational risk*: 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.
- ✓ *Excessive leverage risk*: 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.
- ✓ *Compliance risk*: the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of universal provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct and governance codes).
- ✓ *Property risk:* the current or prospective risk of potential losses due to fluctuations in the value of the Bank's proprietary real-estate portfolio, or to the reduction of the income generated by that portfolio.

In the assessment and measurement of credit, counterparty and market risk, account must also be taken of the risk associated with dealings with associated parties, as provided for in Bank of Italy Circular 263, Title V, Chapter 5, Risk Assets and Conflicts of Interest in Dealings with Associated Parties.

Appropriate risk policies have been adopted for the governance of the risks described above. The methods of supervision and organisational oversight of risks are established in the context of these policies through the definition of operating limits and/or management and control processes.

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

With regard to the third pillar public disclosure, with effect from 1 January 2014 the prudential supervisory provisions applicable to banks have been consolidated into Bank of Italy Circular 285 of 17 December 2013, the issuance of which is functional to application of Community regulations (the CRR, Regulation EU 575/2013, and the CRD IV, Directive 2013/36/EU) containing the reforms of the Basel Accord ("Basel 3"). The subject matter, as specifically mentioned in Part II, Chapter 13 of the above Circular, is governed directly by the CRR (Part Eight, Disclosure by Institutions, and Part Ten, Title I, Chapter 3) and by the regulations of the European Commission containing regulatory or implementing technical standards. In particular, as established in the CRR, banks must publish the required disclosures on at least an annual basis. The public disclosure documents, which essentially reflect the contents of the annual ICAAP (*Internal Capital Adequacy Assessment Process*) report, are made available on the Bank's website, www.civibank.it.

The internal control system

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

The 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 include risk management and compliance activity. They are aimed at ensuring, among other objectives:
    - the proper implementation of the risk management process;
    - the observance of the operating limits assigned to the various functions;
    - the compliance of company operations with laws and regulations, including self-imposed regulations.

Level-two control functions are independent of assumption and management functions (production and management units). They contribute to defining risk governance policies and the risk management process;

- ✓ level-three controls: this is 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 Auditing function.

The entire internal control system is periodically revised by the Board of Directors of Banca Popolare di Cividale in order to constantly improve strategies and operating processes and assess business risks.
Supervisory rules concerning internal controls 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 organisational structure, which 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.
In 2015 an important new component of the control system, the Risk Committee, began to function, under the new Articles of Association approved by the Shareholders' Meeting on the basis of the indications of supervisory regulations. Formed within the Board of Directors, the Risk Committee is composed of a majority of independent directors and has the aim of supporting the Board of Directors with risk governance and supervision of the internal control system, liaising on an elective basis with the control functions, whose actions it analyses and whose adequacy it assesses.
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 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 Banca Popolare di Cividale 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 Bank will continue to operate profitably in the foreseeable future. Accordingly, the 2015 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 three-year 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 financial position or operating performance.
With respect to the disclosure concerning financial risks, such risks are analysed in the 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 Bank 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 has the mission of preventing and combating transactions involving the laundering of money and financing for terrorism. To this end, it ensures that the IT and organisational procedures 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.

Information concerning disputes

For detailed information concerning disputes, including disputes of a tax nature, and the main pending judicial actions, refer to Chapter E of the notes, Risks and hedging policies.

Administrative liability (Legislative Decree No. 231/2001)

In consideration of the provisions of Legislative Decree No. 231/01, the Bank adopted a specific Organisational Model, which was updated in 2015 to comply with the changes to the law enacted.
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 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.

In September 2014, the supervision and control function identified in Legislative Decree No. 231/2001 was assigned to the Board of Statutory Auditors, as indicated by the Bank of Italy.

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 Bank 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.

Banca Popolare di Cividale'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 Bank'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 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 financial statements attesting to the adequacy and effective application of administrative and accounting procedures for the preparation of the 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 through:

- ✓ analysis 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
- ✓ 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.

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 Bank regulations with the aim of ensuring the centrality of customers' interests, market integrity, the prevention of money-laundering and market abuse, the protection of the Bank, 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

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

The independent auditors express an opinion of the separate 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 the Bank.

Transactions with 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 substantive and procedural propriety of related-party transactions" undertaken directly or through subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders' meeting.

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

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

On 12 December 2011, the Bank of Italy published new supervisory rules governing risk assets and conflicts of interests within banks and banking groups in regard to "Associated Parties" (ninth update of Circular 263 of 27 December 2006, hereinafter the "Bank of Italy Rules"), in supplementation of the provisions of the Consob Regulation. The definition of Associated Parties includes not only related parties, as defined in the Consob Regulation, but also parties associated with such related parties, as identified in supervisory provisions. The new rules aim to prevent the risk that the proximity of certain parties to the Bank's decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, and are in addition to, and only partly overlap with, the other applicable provisions on the subject (Article 2391 of the Italian Civil Code, Article 136 of the Italian Consolidated Banking Act, the Consob Regulation and IAS 24).

In 2015 Banca Popolare di Cividale, 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").
On 3 December 2014 the Board of Directors approved the document Dealings with Related Parties and Parties Identified Pursuant to Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code with the aim of grouping together internal conflict of interest rules into a single document. This document brings together the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob Regulation on Transactions with Related Parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers and the related supervisory instructions and, finally, Article 2391 of the Italian Civil Code, Interests of Directors. In accordance with applicable regulations, the document has been published on the website at the address http://www.civibank.it/investor-relations/corporate-governance/procedura-parti-correlate.
With the aim of establishing a consolidated text of internal conflict of interest rules, this document combines the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob regulation on transactions with related parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers, and the related supervisory instructions, and, finally, Article 2391 of the Italian Civil Code, Interests of Directors.

Major transactions
No transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period. In 2015 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 2015 with related parties are part of the Bank's ordinary operations and are normally governed by market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.
Detailed information regarding related-party transactions, including information on the impact of outstanding transactions and positions with such counterparties on financial performance and financial position, accompanied by tables summarising those effects, are set forth in Chapter H of the Notes.

Business outlook and the going concern assumption
The Board of Directors confirm that they may reasonably expect that the Company will continue to operate as a going concern for the foreseeable future, and that the 2015 financial statements have therefore been prepared on a going concern basis.
The Board of Directors further certify that there are no factors or signs at the level of financial position or operating performance that might represent causes for uncertainty on the subject of the going-concern principle.
For information on the impairment testing of assets and uncertainty in the use of estimates, refer to the pertinent sections of the notes (Chapter A - Accounting policies and Chapter B - Notes to the balance sheet - Assets).

Outlook
Global prospects remain exposed to a renewed flare-up of financial market tensions in China and uncertainties surrounding the country's economic performance. In the Euro Area, growth continues, but remains fragile. The Eurosystem's securities purchasing programme - quantitative easing - is proving effective in supporting activity, but inflation remains very low.
The prospects of overly low growth support increasingly widespread expectations of intensification of QE, even beyond what has recently been announced, and thus a prolonged scenario of low interest rates. At present, the market has priced in the expectation of low euro interest rates until at least the end of 2017.
The Italian economy continues to recover gradually. Held back this year by the heavy legacy of the past, the recovery is expected to become fully evident in 2016 and to be further consolidated in 2017. The recovery is being strongly driven by domestic demand, and by household consumption in particular, which is replacing exports as a driver, whereas investment prospects are suffering from the uncertainty relating to foreign demand. Inflation remains low due to the considerable decrease in energy commodity prices and persistently large

margins of underused production capacity. There continue to be significant risks, associated above all with the international scenario. Within this scenario, substantially positive compared to recent years, the prospects for the banking sector seem to be moving towards gradual normalisation. Already this year, credit growth is expected to align with expected nominal GDP growth rates, and the first signs of reversal of the banking risk cycle should continue to be seen.

The improvement of the economic framework should finally be reflected in the financial performance of banks, although profitability will remain modest, with a return on equity that will continue to lag behind the cost of capital and fall far short of pre-crisis levels. The rate scenario outlined above and the severe legacy of long years of crisis on the cost of credit risk will continue to affect margins and profitability for some time yet. Consequently, cost control and reduction measures and the gradual normalisation of provisions covering credit risk continue to be of crucial importance. The Bank's management will thus continue along these lines, with the aim of achieving sustainable profitability in the medium term.

Proposed allocation of the net income 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	**4.168.017.788**	
Liabilities		3.854.447.717
Share capital		50.913.255
Share premiums		167.021.739
Reserves		48.273.959
Valuation reserves		23.308.118
Total liabilities and shareholders' equity (excluding Income for the period)		**4.143.964.788**
Net income (loss) for the period		**24.053.000**

In accordance with Article 53 of the Articles of Association, we submit to you the following proposal for the allocation of net income, which calls for the compensation of shareholders through the distribution of € 5,091,326 in profit. The dividend would come to € 0.30 per share. The pay-out ratio would stand at 22.2%, confirming the Bank’s focus on shareholders’ expectations despite the challenging economic scenario.

In this regard, it should be noted that in its deliberations regarding dividends, the Board took due account of the formal and informal exchanges with the supervisory authorities, and in particular the notice from the Bank of Italy dated 18 February 2016 on the subject of “2015 Financial Statements: Dividend Policy.” In this notice, the supervisory authority invites intermediaries - among other recommendations - to adopt profit distribution policies that permit them to maintain prospective and current capital adequacy conditions suitable to the overall risk assumed.

We therefore propose the following allocation of net income for the year to the shareholders' meeting:

Allocation of net income	31/12/2015	31/12/2014
To Legal reserve	2.405.300	580.300
To Statutory reserve	16.306.374	5.222.700
To the Shareholders as dividend	5.091.326	-
Available to the Board of Directors for charities	250.000	-
Net income for the period	**24.053.000**	**5.803.000**

If you approve the foregoing proposal for allocation of the net income, share capital and reserves will be as follows:

	Amounts to 31/12/2015	Allocation of net income	Amounts after allocation of net income
Share capital	50.913.255		50.913.255
Share premiums	167.021.739		167.021.739
Reserves	48.273.959	18.711.674	66.985.633
Valuation reserves	23.308.118		23.308.118

Furthermore, considering that the reserves presented in item 160 of the balance sheet:

- ✓ include negative items and equity items resulting from the merger of Nordest Banca S.p.A. and Banca di Cividale S.p.A. (respectively with a negative sign of € 10,297,864 and a positive sign of € 6,233,415);
- ✓ include negative equity items resulting from the merger of Civileasing S.p.A. of € 451,286;
- ✓ the aforementioned equity items do not have any effect on either the composition or eligibility of reserves for distribution, considering that they are already included in item 160 of the balance sheet;

it is proposed that the Shareholders' Meeting eliminate the net negative balance of € 4,515,735 by allocating it to the statutory reserve, a measure that would not entail any change in either the total balances of reserves as presented in item 160 of the balance sheet or the eligibility of such reserves for distribution.

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).
Having acknowledged the results presented in the 2015 financial statements, the proposed allocation of net income, the accruals to provisions, the Company's financial performance and financial position, business outlook, market conditions, and the supervisory authority's indications for banks, the Board of Directors has decided to propose that the share premium be kept unchanged for 2016 at € 16.60. That share premium, in addition to the par value, would bring the price of one share to a total of € 19.60.

Cividale del Friuli, 23 March 2016

FINANCIAL STATEMENTS

Balance sheet

Balance sheet - Assets			31/12/2015		31/12/2014
10	Cash and cash equivalents		18.381.417		18.486.299
20	Financial assets held for trading		1.220.268		3.032.011
40	Financial assets available for sale		1.164.689.305		1.033.820.973
50	Invetments held to maturity		32.715.895		64.696.661
60	Due from banks		40.384.674		158.685.756
70	Loans to customers		2.683.710.632		2.711.727.973
100	Investments in associates and companies subject to joint		6.427.469		36.494.815
110	Property and equipment		82.928.755		76.758.733
120	Intangible assets		9.367.321		19.135.900
	of which:				
	- goodwill	9.135.900		19.135.900	
130	Tax assets		78.984.982		69.899.873
	a) current	15.778.146		18.326.613	
	b) deferred	63.206.836		51.573.260	
	of which convertible into tax credit (Law no. 214/2011)	*54.961.901*		*48.633.994*	
150	Other assets		49.207.070		27.386.535
	Total assets		**4.168.017.788**		**4.220.125.529**

Balance sheet - liabilities and shareholders' equity			31/12/2015		31/12/2014
10	Due to banks		406.419.324		1.116.403.136
20	Due to customers		2.846.774.190		2.012.149.908
30	Debt securities issued		475.729.690		689.005.667
40	Financial liabilities held for trading		739.806		1.036.143
80	Tax liabilities		13.894.972		28.018.390
	a) current	5.128.327		16.870.668	
	b) deferred	8.766.645		11.147.722	
100	Other liabilities		96.322.372		84.796.903
110	Employee termination benefits		5.588.607		6.022.010
120	Provisions for risk and charges:		8.978.756		4.907.048
	b) other provisions	8.978.756		4.907.048	
130	Valuation reserves		23.308.118		11.126.085
160	Reserves		48.273.959		42.922.245
170	Share premiums		167.021.739		167.021.739
180	Share capital		50.913.255		50.913.255
200	Net income (loss) for the period (+/-)		24.053.000		5.803.000
	Total liabilities and shareholders' equity		**4.168.017.788**		**4.220.125.529**

Income statement

Income statement			31/12/2015		31/12/2014
10	Interest income and similar revenues		96.865.632		113.051.677
20	Interest expense and similar charges		(31.580.690)		(48.415.987)
30	**Net interest income**		**65.284.942**		**64.635.690**
40	Commission income		28.373.099		28.463.997
50	Commission expense		(5.690.543)		(7.390.413)
60	**Net commission income**		**22.682.556**		**21.073.584**
70	Dividends and similar income		1.014.637		927.091
80	Net trading income		604.290		704.520
100	Profit (loss) on disposal or repurchase of:		80.245.874		35.092.643
	a) loans	30.336		-	
	b) financial assets available for sale	81.322.521		34.555.834	
	d) financial liabilities	(1.106.983)		536.809	
120	**Total income**		**169.832.299**		**122.433.528**
130	Charges/write-backs on impairment of:		(60.392.656)		(34.792.825)
	a) loans	(55.409.577)		(32.051.936)	
	b) financial assets available for sale	(4.930.281)		(2.038.944)	
	d) other financial transactions	(52.798)		(701.945)	
140	**Net Financial income**		**109.439.643**		**87.640.703**
150	G&A expenses:		(78.666.947)		(69.504.545)
	a) personnel expenses	(40.656.531)		(39.067.141)	
	b) other administrative expenses	(38.010.416)		(30.437.404)	
160	Net provisions for risks and charges		(5.578.195)		(2.642.992)
170	Net impairment/write-backs on property, plant and equipment		(8.119.917)		(1.717.468)
180	Net impairment/write-backs on intangible assets		(59.310)		-
190	Other operating income (expenses)		7.070.048		7.680.094
200	**Operating cost**		**(85.354.321)**		**(66.184.911)**
210	Profit (loss) on equity investments		(49.000)		(5.223.020)
230	Goodwill impairment		(10.000.000)		-
250	**Income (loss) before tax from continuing operations**		**14.036.322**		**16.232.772**
260	Tax on income from continuing operations		10.016.678		(10.429.772)
270	**Income (loss) after tax from continuing operations**		**24.053.000**		**5.803.000**
290	**Net income for the period**		**24.053.000**		**5.803.000**

Statement of comprehensive income

		31/12/2015	31/12/2014
10	**Net profit for the year**	**24.053.000**	**5.803.000**
	Other income net of income taxes without transfer to profit and loss account		
40	Actuarial gains (losses) from defined benefit plans	80.287	(348.826)
100	AFS financial assets	12.101.746	6.748.380
130	**Total other income, net of income taxes**	**12.182.033**	**6.399.554**
140	**Comprehensive income (10 + 130)**	**36.235.033**	**12.202.554**

Statement of changes in shareholders' equity (2015)

Year 2015	Balance at 31/12/2014	Change in opening balance	Balance at 01/01/2015	Allocation of result for previous period		Changes during the year								Shareholders' equity at 31/12/2015
							Operazioni sul patrimonio netto							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Share capital	**50.913.255**		**50.913.255**	-	-	-	-	-	-	-	-	-	-	**50.913.255**
a) ordinary shares	50.913.255		50.913.255	-	-			-	-	-	-	-	-	50.913.255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167.021.739**		**167.021.739**		-			-	-	-	-	-	-	**167.021.739**
Reserves	**42.922.245**		**42.922.245**	**5.803.000**	-	**(451.286)**	-	-	-	-	-	-	-	**48.273.959**
a) income	42.922.245		42.922.245	5.803.000	-	(451.286)		-	-	-	-	-	-	48.273.959
b) other	(0)		(0)	-	-	-	-	-	-	-	-	-	-	(0)
Valuation reserves:	**11.126.085**		**11.126.085**										**12.182.033**	**23.308.118**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-		-					-						
Net income (loss) for the perio	**5.803.000**		**5.803.000**	**(5.803.000)**		-	-	-	-	-	-	-	**24.053.000**	**24.053.000**
Shareholders' equity	**277.786.324**		**277.786.324**	-	-	**(451.286)**	-	-	-	-	-	-	**36.235.033**	**313.570.071**

Statement of changes in shareholders' equity (2014)

Year 2014	Balance at 31/12/2013	Change in opening balance	Balance at 01/01/2014	Allocation of result for previous period		Variazioni dell'esercizio								Shareholders' equity at 31/12/2015
							Operazioni sul patrimonio netto							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Capitale	**51.067.947**		**51.067.947**	-	-	**(154.692)**	-	-	-		-	-	-	**50.913.255**
a) azioni ordinarie	51.067.947		51.067.947	-	-	(154.692)		-	-		-	-	-	50.913.255
b) altre azioni	-		-	-	-	-	-	-	-		-	-	-	-
Sovrapprezzi di emissione	**198.569.529**		**198.569.529**	**(30.585.442)**	-	**(962.348)**		-	-		-	-	-	**167.021.739**
Riserve	**42.845.467**		**42.845.467**	-	-	**76.778**	-	-	-		-	-	-	**42.922.245**
a) di utili	42.845.467		42.845.467		-	76.778		-	-		-	-	-	42.922.245
b) altre	(0)		(0)	-	-	-	-	-	-		-	-	-	(0)
Riserve da valutazione	**8.551.574**		**8.551.574**	**(3.264.558)**									**6.399.554**	**11.686.570**
Strumenti di capitale	-		-	-	-	-	-	-	-		-	-	-	-
Azioni proprie	**(7.277)**		**(7.277)**			**7.277**		-						
Utile (Perdita) di esercizio	**(33.850.000)**		**(33.850.000)**	**33.850.000**		-	-	-	-		-	-	**5.803.000**	**5.803.000**
Patrimonio netto	**267.177.239**		**267.177.239**	-	-	**(1.032.985)**	-	-	-		-	-	**12.202.554**	**278.346.809**

Statement of cash flows

CASH FLOW STATEMENT				
OPERATING ACTIVITY	**31/12/2015**		**31/12/2014**	
1. Operations		**108.852.655**		**78.831.223**
- interest income received (+)	97.126.384		114.690.496	
- interest expense paid (-)	(27.697.449)		(30.966.711)	
- net commissions (+/-)	25.451.136		18.320.478	
- staff costs	(39.295.689)		(37.071.912)	
- other expenses (-)	(35.034.461)		(29.618.384)	
- other revenues (+)	88.302.734		43.477.257	
2. Liquidity generated/absorbed by financial assets: (+/-)		**(65.164.019)**		**789.375.360**
- financial assets held for trading	1.811.743		480.352	
- financial assets available for sale	(135.725.641)		436.254.703	
- loans to custumers	(28.222.500)		335.967.237	
- due from banks: repayable on demand	83.323		(11.331)	
- due from banks: other	118.216.917		4.355.766	
- other assets	(21.327.861)		12.328.633	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(104.028.335)**		**(905.324.912)**
- due to banks: repayable on demand	(59.149)		(8.014)	
- due to banks: other	(710.552.473)		105.410.169	
- due to customers	831.368.851		(949.792.359)	
- securities issued	(213.456.003)		(42.225.416)	
- financial liabilities held for trading	(296.337)		71.108	
- other liabilities	(11.033.224)		(18.780.400)	
Net liquidity generated/absorbed by operating activity A (+/-)		**(60.339.699)**		**(37.118.329)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**63.013.749**		**927.091**
- disposal of equity investments	30.018.346		-	
- dividends received on equity investments	1.014.637		927.091	
- disposal of financial assets held to maturity	31.980.766		-	
2. Liquidity absorbed by: (-)		**(14.580.670)**		**29.851.731**
- purchase of equity investments	-		(5.000.000)	
- purchase of financial assets held to maturity	-		40.715.965	
- purchase of property, plant and equipment	(14.289.939)		(5.864.234)	
- purchase of intangible assets	(290.731)		(0)	
Net liquidity generated/absorbed by investing activity B (+/-)		**48.433.079**		**30.778.822**
FUNDING ACTIVITY				
- issue/purchase of own shares	11.730.747		4.806.084	
Net liquidity generated/absorbed by funding activity C (+/-)		**11.730.747**		**4.806.084**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(175.873)**		**(1.533.423)**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	18.486.299	20.019.721
Total net liquidity generated/absorbed during the period D	(175.873)	(1.533.423)
Cash and cash equivalents: effect of exchange rate changes F	-	-
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**18.310.427**	**18.486.299**

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 2015, 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 2015 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 – fourth update of 15 December 2015), 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 2015 (including the SIC and IFRIC interpretation documents).

The following is a list of the regulations endorsing several new standards or amendments to existing standards, applicable on a compulsory basis effective financial year 2015, as limited to the cases of interest to the Bank's business, for which an early application option was not exercised in previous years:

- ✓ Regulation No 634/2014, which adopts the interpretation IFRIC 21 *Levies*. That Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37, as well as the accounting for a liability to pay a levy whose timing and amount is uncertain.
- ✓ Regulation No 1361/2014 – Annual Improvements to International Reporting Standards 2011-2013 Cycle. In particular, the amendments to IFRS 3 and 13 are clarifications or corrections to the respective standards. The amendments to IAS 40 involve changes to the existing requirements or additional guidance on the implementation of those requirements.
- ✓ Regulation No 28/2015 – Annual Improvements to International Reporting Standards 2010-2012 Cycle. In particular, the amendments to IFRS 8 and IAS 16, 24 and 38 are clarifications or corrections to the respective standards. The amendments to IFRS 2 and IFRS 3 involve changes to the existing requirements or additional guidance on the implementation of those requirements.
- ✓ Regulation No 29/2015 – Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*. The amendments are aimed at simplifying and clarifying the accounting treatment of contributions to defined benefit plans by employees or third parties.

Application of these new standards did not have a significant impact on financial performance or equity for the period.

In 2015, additional amendments to previous regulations were endorsed by the European Union. Those amendments had yet to enter into force at the reporting date. The endorsing regulations are detailed below:

- ✓ Regulation No 2015/2113 adopting amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*. These amendments are not pertinent to the Bank's activity;
- ✓ Regulation No 2015/2173 adopting amendments to IFRS 11 *Acquisition of an Interest in a Joint Operation*, which provide a guide to the accounting treatment of acquisitions of interests in joint operations that constitute company assets.
- ✓ Regulation No 2015/2231, adopting amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, which clarify certain aspects of acceptable amortisation methods;
- ✓ Regulation No 2015/2343, adopting the 2012-2014 annual cycle of improvements to IFRS, in the context of the ordinary process of rationalising and clarifying international accounting principles;
- ✓ Regulation No 2015/2406, adopting amendments to IAS 1 *Presentation: Disclosure Initiative*. The amendments are aimed at improving the effectiveness of disclosure and encouraging companies to

determine the information to be presented in the financial statements with professional judgement in the context of application of IAS 1;

- ✓ Regulation No 2015/2441, adopting amendments to IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*. The amendments are aimed at allowing entities to apply the equity method, described in IAS 28 *Investments in Associates and Joint Ventures*, to account for investments in subsidiaries, joint ventures and associates in their respective separate financial statements.

In 2016, the Bank began the process of assessing the potential impact of the new international accounting principles issued by the IASB that have yet to be endorsed by the European Union at the reporting date (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leasing*).

IFRS 9 Financial Instruments

In July 2014 the IASB issued IFRS 9 *Financial Instruments*, the accounting standard that will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The process of revising IAS 39 is divided into three phases: classification and measurement, impairment and hedge accounting.

The classification and measurement of financial assets will depend on the business model and characteristics of the cash flows of the financial instrument. These elements will determine how the financial instrument is measured, which may be at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income.

In most cases, the results of classification and measurement may be regarded as in line with those deriving from the application of IAS 39, but potential misalignments cannot currently be excluded. The combined effect of the application of the business model and the test of the characteristics of the cash flows of the instrument may entail a different allocation among instruments at fair value and at amortised cost with respect to the arrangement according to IAS 39.

It should also be noted that the separation of embedded derivatives is no longer required for all financial assets.

The classification of financial liabilities does not change substantially with respect to IAS 39. For financial liabilities designated at fair value, the change in creditworthiness is to be recognised in an equity reserve rather than in profit or loss, as had been the case under IAS 39.

Turning to impairment, the standard provides for a single model to be applied to all financial assets not measured through profit or loss, with a particular focus on the definition of the rules for calculating impairment according to the single concept of expected loss. Specifically, upon initial recognition, impairment losses will be determined on the basis of the expected loss at twelve months. However, if a significant increase in credit risk is observed with respect to the date of initial recognition, impairment losses must be determined on the basis of the expected loss determined throughout the life of the financial instrument. On the basis of these elements, financial instruments are classified into three distinct stages:

- ✓ stage 1 includes performing financial instruments for which no significant deterioration of credit risk has been observed with respect to the date of initial recognition. Impairment is determined collectively on the basis of the expected credit loss at one year;
- ✓ stage 2 includes performing financial instruments for which a significant deterioration of credit risk has been observed with respect to the date of initial recognition. Impairment is determined collectively on the basis of the lifetime expected credit loss;
- ✓ stage 3 includes non-performing financial instruments, assessed separately on the basis of the lifetime expected credit loss.

The expected loss used must consider all available information, including information about past events, current conditions and forecasts of economic conditions.

In terms of impact on profit or loss, the recognition of impairment will be more closely focused on the forward-looking components and, at least on initial application, will entail an increase in impairment losses compared to the current provisions of IAS 39 (model based on incurred loss). At present, it is not possible to estimate reliably the financial impact of the initial application of the new standard.

With regard to the issue of hedge accounting, the revision of the standard aims to simplify the accounting treatment by creating closer ties with risk management strategies. The standard does not govern macro hedge accounting, which will be discussed in a separate project. On this subject, IFRS 9 also allows the use of certain accounting treatments governed by IAS 39.

IFRS 9 requires mandatory application from 1 January 2018 - with the possible of early application of the entire standard, or of only parts relating to the accounting treatment of own creditworthiness for financial liabilities designated at fair value.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB published IFRS 15 *Revenue from Contracts with Customers*. Application of the standard, which replaces the standards and interpretations previously issued on this subject (IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*), is mandatory from 1 January 2018, and early application is allowed.
The standard introduces a single model for the recognition of revenue, applicable to all commercial contracts, with the exception of leasing contracts, insurance contracts and financial instruments that involve the recognition of revenue on the basis of the consideration that is expected to be received in return for the goods and services rendered. The new standard introduces a method divided into five steps to analyse transactions and define the recognition of revenue with regard to both timing and amount: identification of the contract with the customer; identification of commitments and performance obligations under the contract; identification (if necessary, on an estimated basis) of the consideration for the transaction; allocation of the consideration for the transaction to the contractual commitments and performance obligations; and the recognition of revenue on the basis of the fulfilment of contractual commitments and performance obligations.

IFRS 16 Leasing
In January 2016, the IASB issued IFRS 16 *Leasing*, subject to mandatory application from 1 January 2016, which introduces new rules for the representation of lease contracts for both lessors and lessees and which replaces the standards and interpretations previously issued on this subject (IAS 17 *Leasing*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*).
A lease is a contract in which the lessee receives the right to use an asset for a period of time in return for consideration.
IFRS 16 eliminates the distinction between operating and finance leases for the lessee and defines new methods of representation. The lessee must recognise a liability on the basis of the present value of future payments as a balancing entry to the recognition of the right to use the leased asset. For the lessor, the current accounting rules remain largely unchanged.

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 as 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 2014. 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 2015) 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).
The financial statements for the year ended 31 December 2015 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. No derogations from the application of IAS/IFRS were applied in these financial statements. The directors' report on operations and the notes contain the information required by international accounting principles, the law, the Bank of Italy and Consob, in addition to the non-mandatory information required to provide a truthful and accurate representation of the Bank's situation.
The publication of the financial statements for the year ended 31 December 2015 was authorised by the Board of Directors on 23 March 2016. Banca Popolare di Cividale is a cooperative company limited by shares, registered and domiciled in Italy.

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 (fourth update of 15 December 2015).
The fourth update to the Circular modified the disclosures to be presented in the notes concerning "credit quality" to match the new definitions of "non-performing financial assets" consistent with the concepts of "non-performing exposures" and "forborne exposures" established by the European Commission in Regulation No 2015/227 at the proposal of the European Banking Authority. In addition, the tables concerning pledged assets were eliminated from Section 3, Liquidity risk, of Chapter E, Risks and hedging policies, and rationalisation measures were applied to Chapter B on the balance sheet and Chapter E, Risks and hedging policies, of the notes. It should be noted that, as permitted by the Circular, disclosures in the notes concerning the performance of gross exposures and adjustments to the value of forborne exposures will be provided starting with the 2016 financial statements.
The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2014.

Section 3 Subsequent events
Please refer to the corresponding section of the report on operations.

Introduction
The Company's financial statements have been prepared in application of the general preparation principles set forth in the international accounting standards endorsed by the European Union the adoption of which was compulsory at 31 December 2015.
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.

Section 4 Other aspects
During the year, there were no transactions or events of a non-recurring nature beyond the course of ordinary operations with a material impact on financial performance and financial position (Consob Notice No. DEM/6064293 of 28-7-2006).

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 December 2015 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.

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 listed on active markets. In the absence of an active market, the Bank 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 listed instruments with similar characteristics (comparables method), discounted cash flow analysis, option-pricing models, values reported for recent comparable transactions (recent transactions method), etc.

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

Equity securities, units of UCIs that invest in equity securities and derivatives on equity securities not listed 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, unlikely to pay and past due 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 homogeneous 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.

Finance leases
Amounts due from customers in connection with assets on lease are recognised at the commencement of the related contracts or formal delivery of the asset. Amounts due from customers in connection with assets on lease are recognised at amortised cost, i.e. at the initial value of the investment, including the initial direct costs incurred and directly attributable commissions, less principal repayments and depreciation calculated according to the effective interest method, i.e. by discounting estimated future payment flows over the expected term of the financing at the effective interest rate. Criteria similar to those illustrated above were followed for impairment losses and recoveries.

7 - 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 Bank, 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.

8 - 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.

9 - 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
- ✓ trademarks and licences;
- ✓ 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.

11 – 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 Bank 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.
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.

12 – 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.

13 – Debt and 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.

14 - 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.

16 – 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.

17 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 as defined in IFRS 10.

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 remeasure 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.

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 Banca Popolare di Cividale, "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 in active markets;
- ✓ assessing the appropriateness of the value of goodwill;
- ✓ determining the amounts of staff provisions and provisions for other risks and charges; and
- ✓ preparing estimates and assumptions relating to the recoverability of deferred tax assets.

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

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 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 or income associated with several transactions without distinction and components associated with events that may occur during the life of the financial instrument, but are not uncertain upon initial definition, such as give-up commissions, commitment fees and prepayment fees.
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 may essentially be 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 factors are 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.

Non-performing exposures and forborne exposures
With effect from 1 January 2015, following the endorsement by the European Commission on 9 January 2015 of a specific technical standard issued by the EBA (European Banking Authority) on 21 October 2013, the definitions of "non-performing exposures" and "forborne exposures" entered into force. Following the above endorsement, on 20 January 2015 the Bank of Italy published the update to Circular 272, which defines the reporting criteria to be followed when classifying credit quality with effect from 1 January 2015. In detail, the categories of non-performing exposures, past-due exposures, substandard exposures, restructured exposures and bad debts have been replaced by the new categories of non-performing loans, past due loans, unlikely to pay loans and bad debts, with an indication of forborne exposures in each class.
The new definitions applied in classification for the new categories are as follows:

- ✓ Bad debts: total on- and off-balance sheet exposures to a party in a state of insolvency (even if not legally established) or substantially equivalent situations, regardless of any expected losses formulated. Exposures for which the situation of anomaly may be attributed to aspects relating to country risk are excluded.
- ✓ Unlikely to pay positions: these are on- and off-balance sheet exposures that do not meet the conditions for classifying the position as a bad debt but for which it is believed unlikely that, in the absence of actions such as the enforcement of guarantees, the borrower will be able to discharge its credit obligations in full (with respect to principal and/or interest). This assessment is conducted independently of the presence of any past-due amounts (or instalments). Classification among unlikely to pay positions is not necessarily related to the explicit presence of anomalies (non-payment), but rather to the existence of elements indicative of a situation of risk of default by the borrower.
- ✓ Past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay positions that are past due at the reporting date. Past-due exposures may be determined in reference either to individual borrowers or individual transactions.

The Bank has restated the comparative figures at 31 December 2014, by including the exposures previously classified as problem and restructured loans in the category of unlikely to pay exposures by convention.

Forborne exposures – performing
Individual performing on-balance sheet loans are identified and classified as forborne if the borrower is currently experiencing, or about to experience, difficulty in discharging its financial obligations ("financial difficulty"), for which the Bank agrees to an amendment of the original contractual terms and conditions or total or partial refinancing of a contract that would not have been approved if the borrower had not been in such a situation of difficulty. Such exposures do not represent an additional administrative status beyond those already used, but rather a further element for defining customer credit quality, which is used in conjunction with, and not in lieu of, the classifications in use, and they are identified for each individual forborne position. Consequently, the exposures subject to such measures - performing forborne exposures - are thus identified among performing loans (regular or past due by less than 90 days). Since these exposures are subject to such forbearance measures, they have not been classified among non-performing positions.
An exposure ceases to be classified as forborne when the following conditions ("exit criteria") have been satisfied:

1) a probation period of at least two years has elapsed from the date on which forbearance status was granted (or from the date on which the non-performing forborne exposure was reclassified as performing);
2) regular payments of significant amounts of principal or interest have been made for at least half of the observation period; and
3) at the end of the probation period, none of the borrower's exposures is past due by more than 30 days;
4) regular payments of significant amounts of principal or interest have been made for at least half of the observation period; and
5) the contract is regarded as performing, including on the basis of an analysis of the borrower's financial situation.

Forborne exposures – non-performing
The Bank also identifies non-performing loans subject to forbearance measures ("non-performing forborne exposures"). These are individual on-balance sheet exposures belonging to the categories mentioned above that meet the requirements for forbearance, as defined above. Such exposures do not constitute a separate category of non-performing assets, but represent an attribute, as appropriate in each case, of the categories of non-performing assets in which they are included. Non-performing exposures with forbearance measures also include any restructuring of credit exposures previously classified as bad debts in view of liquidation.
A position ceases to be regarded as a non-performing exposure with forbearance measures and is reclassified as performing if all of the following conditions have been met:
1) assignment of forborne status does not entail the classification of the position as non-performing;
2) one year has elapsed from the application of forbearance measures or classification as non-performing;
3) no past-due exposures or elements in conflict with full repayment of the exposure in accordance with the conditions envisaged by the forbearance measures adopted have been recognised following classification as forborne. The absence of conflicting elements is determined through a thorough assessment of the borrower's financial situation. No conflicting elements may be considered to exist if the borrower has repaid an amount, according to the schedule laid down in the repayment or restructuring plan, equal to the sum that had previously been declared past due (if there were past-due exposures), or to the sum that was reclassified as a loss in the context of the forbearance measures adopted, or, alternatively, if the borrower has already demonstrated its ability to satisfy the post-forbearance conditions through other actions.

Chapter A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS
In 2015, the Bank did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39. The following table presents the residual carrying amounts of assets reclassified in previous years at 31 December 2015, 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 (2)	New portfolio (3)	Book value at 31.12.2015 (4)	Fair value at 31.12.2015 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valutative (6)	Other (7)	Valutative (8)	Other (9)
Quotas of U.C.I.s	HFT	AFS		-			-	-
Debt securities	HFT	LOANS	1.000	1.000	-	(1.473)	-	(1.473)
Total			**1.000**	**1.000**		**(1.473)**	**-**	**(1.473)**

Chapter A.4 – INFORMATION ABOUT FAIR VALUE
QUALITATIVE DISCLOSURES
This section includes the disclosure regarding financial instruments subject to reclassification from one portfolio to another pursuant to the rules set forth in IAS 39 and the disclosure regarding the fair-value hierarchy in accordance with the provisions of IFRS 13.
Fair value is the price at which an asset may be sold or a liability transferred in a transaction between market participants at the measurement date.
Consequently, it is an exit price and not an entry price.
The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
For financial instruments measured at fair value on a recurring basis, the bank attributes higher priority to the use of observable inputs and lower priority to measurement techniques that do not use market inputs. In particular, the bank establishes the order of priority, criteria and conditions that result in the choice of one of the following measurement techniques:
- ✓ mark-to-market: a measurement method coinciding with classification to level 1 of the fair value hierarchy;
- ✓ comparable approach: a measurement method based on the use of observable market inputs, the use of which implies classification to level 2 of the fair value hierarchy;
- ✓ mark-to-model: a measurement method involving the application of pricing models whose inputs result in classification to level 3 (use of at least one significant non-observable input) of the fair value hierarchy.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used
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 measurement technique, 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 measurement technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.
The measurement techniques applied in this case include:
- the use of recent market transactions between knowledgeable, independent parties;
- reference to the fair value of a financial instrument having the same characteristics;
- cash flow discounting techniques;
- option valuation techniques;
- the use of commonly used pricing techniques, provided that such techniques yield prices in line with those applied in actual exchanges.

The market inputs used in the comparable approach are:
- prices quoted on active markets for similar assets or liabilities;
- prices quoted for the instrument in question or similar instruments on inactive markets, i.e., markets on which there are few transactions. The prices are not current or vary substantially over time and amongst the various market markets, or little information is made public;
- observable market inputs (e.g., interest rates, observable yield curves, credit spreads, quoted volatilities, etc.);
- inputs that derive from observable market data, for which the relationship is supported by parameters such as correlation.

If the measurement techniques adopted also use non-observable inputs, and their contribution to the determination of fair value is to be regarded as significant, the measurement of the financial asset or liability is to be considered level 3.
The mark-to-model approach applies to all financial instruments for which there is no active market, where:
- significant adjustments to the observable inputs used based on non-observable inputs are necessary;
- the estimate of fair value is based on the bank's internal assumptions concerning future cash flows and the discount curve used;
- the measurement techniques used are of sufficient complexity to entail significant model risk.

The main inputs used in this approach are:
- for real estate funds, a NAV adjustment model aimed at taking account of the issuer's default risk;
- for structured bonds, the discounted cash flow model, applied on the basis of estimates of future cash flows and/or the discount factor;
- for equity instruments, the market approach (a model based on market multiples and price matrices), the Black-Scholes-Merton model and the binomial model.

A.4.2 Valuation processes and sensitivity

The Bank conducted an assessment of the potential impacts of sensitivity to unobservable market parameters in the measurement of instruments classified to level 3 in the fair-value hierarchy and measured at fair value on a recurring basis. That assessment indicated that the impacts concerned were not material with respect to the situation represented. In further detail, the portfolio of instruments measured at fair value on a recurring basis and classified to level 3 of the fair-value hierarchy consists primarily of equity investments, subject to impairment testing when the requirements for so doing have been met, and investments in fund shares.

A.4.3 Fair-value hierarchy

IFRS 13 establishes that financial instruments measured at fair value are to be classified according to the degree of observability of the inputs analysed when pricing them.
Specifically, three levels of classification have been established:
- Level 1: the fair value of the instruments classified to this level is determined on the basis of quoted prices observable on active markets;
- Level 2: the fair value of the instruments classified to this level is determined on the basis of measurement models that use inputs observable on active markets;
- Level 3: the fair value of the instruments classified to this level is determined on the basis of measurement models that primarily use inputs not observable on active markets.

The levels indicated above are to be applied in hierarchical order, giving the highest priority to the use of observable market parameters that permit the assets or liabilities to be measured on the basis of the assumptions used by market participants and the lowest priorities to measurement techniques that do not contemplate market parameters and thus reflect a greater degree of discretion in measurement by the bank.

A.4.4 Other information

The following is an account of the criteria used in measuring portfolios at fair value.

Fixed-income bonds

Such securities are priced according to the liquidity conditions of their respective markets of reference.
Liquid instruments quoted on active markets are measured at mark-to-market, and positions in such instruments are therefore classified to level 1 of the fair value hierarchy. If there are no price quotations that satisfy the requirements for determining fair value, it is concluded that no active market exists. Accordingly, such instruments are measured by comparing them with similar securities quoted by info providers (the comparative approach), using an operating price quotation on an inactive market, or the mark-to-model approach, and are assigned to level 2 of the fair value hierarchy. If a fair value quotation cannot be determined by applying the foregoing criteria, the instrument is classified as level 3 and its price is determined through a specific request to a market broker or the implementation of an ad hoc pricing model.

ABSs and structured securities

Securities with embedded option components that cannot be separated, securities representative of banking assets (e.g., ABSs or MBSs) and similar securities (e.g., CDOs or MBOs) are classified as level 3 due to the absence of market price quotations or observable market inputs to which to refer. An indicative valuation provided by third parties, which may include the issuer of the security, is used.

Equity instruments

If an equity instrument is quoted on an active market, it is classified to level 1 of the fair value hierarchy. If no active market exists, where possible the security is measured on a theoretical basis (the security is classified as level 3 if the inputs used are not observable on the market). If the highly variable nature of the inputs yields a wide range of results, the security is measured at cost and classified as level 3. Equity instruments are only classified as level 2 if a price quotation exists but the market of reference is significantly reduced.

Mutual funds and shares of UCIs

Such instruments are classified as level 1 if a quotation on an active market is available. Alternatively, such instruments are measured according to their official net asset value (NAV) at the end of the period. Such assets are classified to level 2 or level 3 of the fair value hierarchy depending on the availability of NAV, portfolio transparency and position liquidity.

Certificates and covered warrants

If an active market exists, the market quotations of investment certificates and covered warrants are taken as the fair values of such securities, and the instruments are classified to level 1 of the fair value hierarchy. If no active market exists, since accurate theoretical pricing is not possible, certificates positions are measured on the basis of an indicative valuation/quotation from a market broker and/or the issuer, or on the basis of the most recent market valuation available, and the instruments are assigned to level 2 or level 3 of the fair value hierarchy depending on the observability of the inputs used.

Derivatives

Futures positions in government bonds and interest rates are measured according to the closing price on the last business day. Accordingly, such instruments are to be considered level 1 of the fair value hierarchy. The market value of OTC derivatives is calculated according to pricing models that use market parameters as inputs. On inactive markets, and for particular types of instruments for which prices and inputs are not observable, fair value is calculated by adopting ad hoc valuation techniques for each instrument considered.
The following is an account of the valuation methods applied to portfolios not measured at fair value, but for which disclosure in the financial statements is required under the accounting standard of reference, IFRS 7.

Amounts due from and to banks, loans to customers, amounts due to customers and debt securities issued

For financial instruments carried at amortised cost and classified among amounts due to and from banks, loans to customers, amounts due to customers and debt securities issued, fair value is determined as follows for the purposes of disclosure in the financial statements:

- the fair value of medium-/long-term performing loans to customers is determined by discounting projected cash flows on the basis of a risk-free curve, to which a spread representative of credit risk, determined on the basis of expected losses (PD and LGD), is applied. The fair value thus determined is classified to level 3 of the fair value hierarchy;

- the fair value of amounts due to and from banks with longer maturities is determined by discounting the projected cash flows according to a risk-free curve, to which a spread representative of credit risk is applied;
- the fair value of non-performing loans to customers (bad debts, unlikely to pay and past due positions) is determined by discounting the positions, net of adjustment provisions representative of the associated credit risk, at a risk-free market rate. For such exposures, the exist price would be significantly influenced by projected losses, which are the result of a subjective assessment by the manager of the position, with regard to the recovery rate and timing. As a consequence, such positions are classified to level 3 of the fair value hierarchy;
- the carrying amount at initial recognition is regarded as a sound approximation of the fair value of demand or short-term assets and liabilities. The fair value thus determined is classified to level 3 of the fair value hierarchy by convention;
- the fair value of bonds carried at amortised cost is measured by reference to quotations on an active market, or on the basis of a valuation technique involving the discounting of the security's cash flows according to the interest rate curve of reference, corrected as appropriate to take account of the change in creditworthiness on the basis of the method described above for the assessment of fixed-income securities. The same applies for considerations regarding the fair value hierarchy;
- the fair value of debt securities included among amounts due from banks and loans to customers is determined by using price contributions on active markets or valuation models, as described above in reference to financial assets and liabilities designated at fair value.

Non-financial assets - Investment property
Fair value is determined in all cases on the basis of independent appraisals, which are based on the current prices of similar assets (value per square metre indicated by the most common monitoring centres and prices in similar transactions). This value is normally adjusted to reflect the particular characteristics of the property being appraised, such as its geographical and commercial position, accessibility, infrastructure, urban context, state of preservation, size, rights of way, and the condition of external and internal plant. As a result of such adjustments, which depend to a significant degree on the estimates prepared by the independent appraiser, the amounts identified are characterised by nature by elements of judgement and subjectivity. The fair value thus obtained is classified to level 3 of the fair value hierarchy.

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 level

	31/12/2015			31/12/2014		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	391	66	-	223	1.450	-
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	1.113.812	-	50.877	961.925	100	71.796
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1.114.203**	**66**	**50.877**	**962.148**	**1.550**	**71.796**
1. Financial liabilities held for trading	-	740	-	-	1.036	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	**740**	-	-	**1.036**	-

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)

	Held for trading	Designated at fair value through profit or	Available for sale	For hedging purposes	Property and equipme	Intangible assets
1. Opening balance	-	-	**71.796**	-	-	-
2. Increasese	-	-	**81.022**	-	-	-
2.1. Purchases	-	-	1.186	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-
2.2.1.Income statement	-	-	10.796	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	2.555	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	66.485	-	-	-
3. Decreases	-	-	**101.941**	-	-	-
3.1. Sales	-	-	97.159	-	-	-
3.2. Redemptions	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1. Income statement	-	-	11	-	-	-
- of which capital losses	-	-	4.738	-	-	-
3.3.2. Shareholders' equity	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	33	-	-	-
4. Closing balance	-	-	**50.877**	-	-	-

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

Financial assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2015				31/12/2014			
	BV	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held to maturity	32.716	32.716	-	-	64.697	64.697	-	-
2. Due from banks	40.385	-	-	40.385	158.686	-	9.031	149.655
3. Loans to customers	2.683.711	-	-	2.730.319	2.711.728	-	-	2.749.598
4. Investment property	2.770	-	-	2.770	-	-	-	-
5. Non-current assets or groups of assets being divested	-	-	-	-	-	-	-	-
Total	**2.759.581**	**32.716**	-	**2.773.473**	**2.935.110**	**64.697**	**9.031**	**2.899.253**
1. Due to banks	406.419	-	-	406.419	1.116.403	-	-	1.116.403
2. Due to customers	2.846.774	-	-	2.846.774	2.012.150	-	-	2.012.150
3. Securities issued	475.730	-	475.730	-	689.006	-	638.158	50.847
4. Liabilities associated to assets being divested	-	-	-	-	-	-	-	-
Total	**3.728.923**	-	**475.730**	**3.253.194**	**3.817.559**	-	**638.158**	**3.179.400**

Key: BV= Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

It is assumed that the book value of non-performing loans classified to level 3 of the fair-value hierarchy substantially represents a reasonable approximation of their fair value. This assumption is based on the circumstance that the calculation of fair value is influenced to a primary degree by recovery expectations, the result of a subjective assessment by the manager.
Similarly, the fair value of non-performing loans classified to level 3 is based on models that use primarily unobservable inputs (e.g., internal risk parameters).
For this reason, and in light of the absence of a secondary market, the fair value presented in the financial statements, for disclosure purposes only, may differ significantly from possible sale prices.

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

1.1 Cash and cash equivalents: composition

	31/12/2015	31/12/2014	%
a) Cash	18.381	18.486	-0,6%
b) Free deposits with Central banks	-	-	-
Total	**18.381**	**18.486**	**-0,6%**

Section 2 - Financial assets held for trading - item 20

2.1 Financial assets held for trading: composition by type

	31/12/2015			31/12/2014			%
	L1	L2	L3	L1	L2	L3	
A. Cash assets							
1. Debt securities	-	66	-	1	1.450	-	-95,5%
1.1 structured securities	-	-	-	-	-	-	-
1.2 other debt securities	-	66	-	1	1.450	-	-95,5%
2. Equities	391	-	-	222	-	-	75,9%
3. Quotas of UCI	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-
Total A	**391**	**66**	**-**	**223**	**1.450**	**-**	**-72,7%**
B. Derivatives	-	0	0	0	0	-	-
1. Financial derivatives	119	-	644	591	-	768	-43,8%
1.1 trading	119	-	644	591	-	768	-43,8%
1.2 fair value option	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total	**119**	**-**	**644**	**591**	**-**	**768**	**-43,8%**
TOTAL (A+B)	**510**	**66**	**644**	**814**	**1.450**	**768**	**-59,8%**

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

	31/12/2015	31/12/2014	%
A. ON-BALANCE-SHEET FINANCIAL ASSETS			
1. Debt securities	**66**	**1.451**	-95,5%
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	1	917	-99,9%
d) Other issuers	65	535	-87,9%
2. Equity securities	**391**	**222**	**75,9%**
a) Banks	-	222	-100,0%
b) Other issuers	**391**	-	-
- insurance undertakings	-	-	-
- financial companies	-	-	-
- non-financial companies	391	-	-
- other	-	-	-
3. Units in collective investment undertakings	-	-	-
4. Loans	-	-	-
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total (A)	**457**	**1.674**	**-72,7%**
B. DERIVATIVES	**764**	**1.358**	**-43,8%**
a) Banks	148	526	-71,9%
b) Customers	616	833	-26,0%
Total (B)	764	**1.358**	-43,8%
Total (A + B)	**1.220**	**3.032**	**-59,8%**

2.3 Financial assets held for trading: annual changes

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total 31/12/15
A. Opening balance	1.452	222	-	-	1.674
B. Increases	273.743	5.118	3.354	-	282.216
B1. Purchases	273.542	5.005	3.320	-	281.867
B2.Fair value gains	-	-	-	-	-
B3. Other changes	201	114	35	-	349
C. Decreases	275.129	4.950	3.354	-	283.433
C1. Sales	272.957	4.923	3.324	-	281.204
C2. Redemptions	1.894	-	-	-	1.894
C3. Fair value losses	51	21	-	-	71
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other changes	227	6	30	-	263
D. Closing balance	66	391	-	-	457

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

	31/12/2015			31/12/2014			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	1.051.192	-	62.620	961.733	100	-	15,8%
1.1 Structured securities	-	-	-	-	-	-	-
1.2 Other debt securities	1.051.192	-	62.620	961.733	100	-	15,8%
2. Equities	-	-	34.698	192	-	55.726	-37,9%
2.1 Measured at fair value	-	-	34.094	192	-	55.140	-38,4%
2.2 Measured at cost	-	-	604	-	-	586	3,1%
3. Quotas of UCI	-	-	16.179	-	-	16.069	0,7%
4. Loans	-	-	-	-	-	-	-
TOTAL	**1.051.192**	-	**113.498**	**961.925**	**100**	**71.796**	**12,7%**

Financial assets available for sale include, in point 2.1, equity instruments classified at fair value of € 414 thousand among unlikely to pay positions. 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.

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

	31/12/2015	31/12/2014	%
1.Debt securities	**1.113.812**	**961.833**	**15,8%**
a) Governments and central banks	1.088.497	932.843	16,7%
b) Other governments agencies	-	100	-100,0%
c) Banks	13.968	17.729	-21,2%
d) Other issuers	11.347	11.162	1,7%
2. Equity securities	**34.698**	**55.918**	**-37,9%**
a) Banks	23.919	45.014	-46,9%
b) Other issuers	10.779	10.905	-1,1%
- insurance undertakings	-	-	-
- financial companies	7	7	0,0%
- non financial companies	10.772	10.898	-1,1%
- other	-	-	-
3. Units in collective investment u	**16.179**	**16.069**	**0,7%**
4. Loans	-	-	-
a) Governments and central banks	-	-	-
b) Other governments agencies	-	-	-
c) Banks	-	-	-
d) Other	-	-	-
Total	**1.164.689**	**1.033.821**	**12,7%**

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**961.833**	**55.918**	**16.069**	**-**	**1.033.820**
B. Increases	**1.868.381**	**78.330**	**2.693**	**-**	**1.949.404**
B1. Purchases	1.833.466	19	1.166	-	1.834.651
of which: business combinations	-	17	-	-	17
B2. Fair value gains	7.252	10.796	-	-	18.048
B3. Writebacks	-	1.028	-	-	1.028
- recognised through income statement	-	X	-	-	-
- recognised through equity	-	1.028	1.527	-	2.555
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	27.663	66.487	-	-	94.150
C. Decreases	**1.716.402**	**99.550**	**2.583**	**-**	**1.818.536**
C1. Sales	1.617.662	96.309	851	-	1.714.822
of which: business combinations	-	-	-	-	-
C2. Redemptions	57.016	-	-	-	57.016
C3. Fair value losses	2.199	-	10	-	2.209
C4. Writedowns for impairment	-	-	-	-	-
- recognised through income statement	-	3.242	1.689	-	4.930
- recognised through equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	39.525	0	33	-	39.559
D. Closing balance	**1.113.812**	**34.698**	**16.179**	**-**	**1.164.688**

	Amount
Breakdown of major increases	66.487
Gain on purchase of ICBPI SpA	66.487

	Amount
Breakdown of major decreases - equity securities	**96.309**
Sale of ICBPI SpA	96.033
Vivabiocell	276

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 may essentially be divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for quoted equity securities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of € 4,930 thousand.

Section 5 - Financial assets held to maturity - item 50

5.1 Financial assets held to maturity: composition by type

	31/12/2015				31/12/2014			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debt securities	**32.716**	**32.716**	-	-	64.697	64.697	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	32.716	32.716	-	-	64.697	64.697	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**32.716**	**32.716**	**-**	**-**	**64.697**	**64.697**	**-**	**-**

5.2 Financial assets held to maturity: composition by borrower/issuer

	31/12/2015	31/12/2014
1. Debt securities	32.716	64.697
a) Governments and central banks	22.293	54.260
b) Other government agencies	-	-
c) Banks	10.423	10.437
d) Other issuers	-	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other governments agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**32.716**	**64.697**
Total fair value	**32.716**	**64.697**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans	Total 31/12/2015
A. Opening balance	**64.697**	**-**	**64.697**
B. Increases	**2.604**	**-**	**2.604**
B1. Purchases	-	-	-
B2. Writebacks	-	-	-
B3. Transfers from other portfolios	-	-	-
B4. Other changes	2.604	-	2.604
C. Decreases	**34.585**	**-**	**34.585**
C1. Sales	-	-	-
C2. Redemptions	32.000	-	32.000
C3. Writedowns for impairment	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other changes	2.585	-	2.585
D. Closing balance	**32.716**	**-**	**32.716**

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

	31/12/2015				31/12/2014				%
	BV	FV			BV	FV			
		L1	L2	L3		L1	L2	L3	
A. Claims on central banks	5.406	-	-	-	3.789	-	-	-	42,7%
1. Time deposits	-	X	X	X	-	X	X	X	-
2. Reserve requirement	5.406	X	X	X	3.789	X	X	X	42,7%
3. Repurchase agreements	-	X	X	X	-	X	X	X	-
4. Other	-	X	X	X	-	X	X	X	-
B. Due from banks	34.978	-	-	-	154.897	-	-	-	-77,4%
1. Loans	33.979	-	-	-	141.813	-	-	-	-76,0%
1.1 Current accounts and free deposits	29.854	X	X	X	32.146	X	X	X	-7,1%
1.2 Time deposits	4.121	X	X	X	2.064	X	X	X	99,7%
1.3 Other financing	-	X	X	X	-	X	X	X	-
- repurchase agreements	-	X	X	X	49.753	X	X	X	-100,0%
- finance leases	-	X	X	X	-	X	X	X	-
- other	4	X	X	X	57.850	X	X	X	-100,0%
2. Debt securities	1.000	-	-	-	13.083	-	-	-	-92,4%
2.1 structured	-	X	X	X	-	X	X	X	-
2.2 other debt securities	1.000	X	X	X	13.083	X	X	X	-92,4%
Total (carrying amount)	**40.385**	**-**	**-**	**40.385**	**158.686**	**-**	**33.870**	**128.988**	**-74,6%**

Section 7 - Loans to customers - item 70

7.1 Loans to customers: composition by type

	31/12/2015						31/12/2014						%
	Book value			Fair value			Book value			Fair value			
	Performing	Non performing		L1	L2	L3	Performing	Non performing		L1	L2	L3	
		Purchased	Other					Purchased	Other				
Loans													
1. Current accounts	312.781	-	92.538	X	X	X	405.587	-	80.516	X	X	X	-16,6%
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X	-
3. Mortgage loans	1.419.551	-	243.275	X	X	X	1.762.613	-	221.023	X	X	X	-16,2%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	54.348	-	1.834	X	X	X	47.358	-	1.717	X	X	X	14,5%
5. Finance leases	220.716	-	42.464	X	X	X	-	-	-	X	X	X	-
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X	-
7. Other	278.271	-	17.933	X	X	X	178.646	-	14.269	X	X	X	53,5%
Debt securities	-	-	-	X	X	X	-	-	-	X	X	X	-
8. structured	-	-	-	X	X	X	-	-	-	X	X	X	-
9 other debt securities	-	-	-	X	X	X	-	-	-	X	X	X	-
Total	**2.285.667**	**-**	**398.043**	**-**	**-**	**2.730.319**	**2.394.203**	**-**	**317.525**	**-**	**-**	**2.749.598**	**-1,03%**

7.2 Loans to customers: composition by borrower/issuer

	31/12/2015			31/12/2014			%
	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:	**2.285.667**	**-**	**398.043**	**2.394.203**	**-**	**317.525**	**-1,0%**
a) Governments	5	-	-	1	-	-	391,6%
b) Other government agencies	6.649	-	-	7.285	-	-	-8,7%
c) Other	-	-	-	-	-	-	-
- non-financial companies	1.272.231	-	329.374	1.197.850	-	254.941	10,2%
- financial companies	124.989	-	7.157	310.668	-	5.653	-58,2%
- insurance undertakings	12.431	-	-	13.250	-	-	-6,2%
- other	869.363	-	61.512	865.148	-	56.932	1,0%
Total	**2.285.667**	**-**	**398.043**	**2.394.203**	**-**	**317.525**	**-1,03%**

7.4 Finance leases

Time bands	Total 31/12/2015						total 31/12/2014					
	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	4.500	9.380	-	82	9.462	-	4.254	13.134	-	94	13.228	-
Up to 3 months	24.893	6.005	-	2.170	8.175	-	30.226	6.768	-	2.704	9.472	-
Between 3 and 12 months	-	18.193	-	6.367	24.560	-	1.624	18.462	-	7.596	26.058	-
Between 1 and 5 years	17.278	72.113	-	25.350	97.463	-	22.022	76.737	-	31.429	108.166	-
Over 5 years	-	118.874	-	25.095	143.969	-	-	123.050	-	35.127	158.177	-
Unspecified maturity	116	-	-	-	-	-	- 1.605	6.504	-	-	6.504	-
Gross total	**46.787**	**224.565**	**-**	**59.064**	**283.629**	**-**	**56.521**	**244.655**	**-**	**76.950**	**321.605**	**-**

Net finance lease exposures amounted to € 271,352 thousand at 31 December 2015, net of provisions for impairment of € 14,809 thousand. Net non-performing exposures stood at € 46,787 thousand.

The lease contracts entered into present the following characteristics:

- ✓ all risks and rewards associated with ownership of the asset are transferred to the lessee;
- ✓ when the lease is contracted, the lessee pays an advance that becomes the lessor's property when the contract begins to generate income and will decrease the amount financed;
- ✓ during the useful life of the contract, the lessee makes periodic payments that may vary according to indexing clauses;

- ✓ at the end of the contract, the lessee has the option of purchasing ownership of the leased asset for less than the fair value at the possible exercise date, as a result of which it is reasonably certain that the option will be exercised.

Since the lessor retains legal ownership of the asset for the entire life of the contract, the asset represents implicit collateral for the lessee's debt, as a result of which no unsecured amounts remain. If the assets currently cannot be sold or are subject to rapid obsolescence, additional guarantees are requested from the lessee or, alternatively, the supplier of the asset.
Deferred financial profits amounted to € 59,064 thousand.
During the year, expenses of € 3,860 thousand were recognised for potential lease instalments. In this regard, it should be recalled that IAS 37 defines the potential lease payment as the part of the payments the amount of which is not predetermined but is based on the future value of a parameter that changes for reasons other than the passage of time (such as a percentage of future sales, an amount of future use, future price indices, and future market interest rates).

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: information on investments

	Registered office	Headquarters	% holding	% of votes
A. Companies under exclusive control				
3 Civitas SPV S.r.l. *	Conegliano (TV) - Via V. Alfieri n. 1	Conegliano (TV) - Via V. Alfieri n. 1	0,00%	
B. Companies subject to joint control				
C. Companies under significant influence				
1 Acileasing S.p.A.	Udine - Via Crispi n. 3	Udine - Via Crispi n. 3	30,00%	
2 Acrent S.p.A.	Udine - Via Crispi n. 17	Udine - Via Crispi n. 17	30,00%	
3 Itas Assicurazioni Spa	Trento - Piazza delle Donne Lavoratrici n. 2	Trento - Piazza delle Donne Lavoratrici n. 2	25,00%	
4 Help Line	Cividale del Friuli (UD) - Via G. Pelizzo	Cividale del Friuli (UD) - Via G. Pelizzo	30,01%	

** Civitas SPV S.r.l. is a special purpose entity controlled by Banca Popolare di Cividale due to its status as originator of the securitisation and the contractual conditions of the transaction, as required by IFRS 10.*

10.3 Significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Adjustments to / writebacks on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Comprehensive income (3) = (1) + (2)
A. Companies under exclusive control														
B. Companies subject to joint control														
C. Companies under significant influence														
1 Acileasing S.p.A. **	X	1.745	11.629	9.614	504	7.179	X	X	(227)	(282)	-	(282)	-	(282)
2 Acirent S.p.A. **	X	9.175	3.333	2.337	443	3.207	X	X	276	172	-	172	-	172
3 Help Line S.p.a.	X	10.486	15.316	3.764	12.863	18.580	X	X	1.095	813	-	813	-	813
4 Itas Assicurazioni Spa **	X	17.313	175	18.776	75	1.975	X	X	275	148	-	148	-	148
Total	-	38.720	30.453	34.490	13.885	30.941	-	-	1.419	852	-	852	-	852

10.5 Equity investments: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**36.495**	**36.718**
B. Increases	**-**	**5.000**
B.1 Purchases	-	-
of which business combinations	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	5.000
C. Decreases	**30.068**	**5.223**
C.1 Sales	-	-
C.2 Writedowns	49	5.223
C.3 Other changes	30.019	-
of which business combinations	30.019	-
D. Closing balance	**6.427**	**36.495**
E. Total revaluations	**-**	**-**
F. Total writedowns	**49**	**5.223**

10.7 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.

10.8 *Significant restrictions*

No commitments have been recognised in respect of the list of equity investments presented in table 10.1 above.

Section 11 - Property, plant and equipment - item 110

11.1 Operating property, plant and equipment: composition of assets measured at cost

	31/12/2015	31/12/2014	%
1. Property and equipment owned	**80.159**	**76.759**	**4,4%**
a) land	4.933	4.933	0,0%
b) buildings	69.568	67.055	3,7%
c) movables	4.784	3.805	25,7%
d) electrical plant	871	957	-9,0%
e) other	2	8	-70,9%
1. Property and equipment acquired under fi	**-**	**-**	**-**
a) land	-	-	-
b) buildings	-	-	-
c) movables	-	-	-
d) electrical plant	-	-	-
e) other	-	-	-
Total	**80.159**	**76.759**	**4,4%**

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.

11.4 Investment property: composition of assets measured at fair value

Breakdown	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Property and equipment owned	-	-	**2.770**	-	-	-
a) land			2.770			
b) buildings						
2. Property and equipment acquired under finance lease	-	-	-	-	-	-
a) land	-			-		
b) buildings	-			-		
Total	-	-	**2.770**	-	-	-

11.5 Operating property, plant and equipment: annual changes

	Land	Buildings	Furniture	Electrical plant	Other	Total
A. Opening gross balance	4.933	81.214	11.468	12.054	32	109.701
A.1 Total net writedowns	-	14.166	7.663	11.089	25	32.942
A.2 Opening net balance	4.933	67.048	3.805	966	7	76.758
B. Increases	2.770	11.553	1.560	158	17	16.059
B.1 Purchases	2.770	11.546	783	74	17	15.190
of wich: business combinations	2.770	10.804	720	17	17	-
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	-	7	777	84	-	868
C. Decreases	-	9.032	582	253	22	9.889
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1.615	579	240	2	2.436
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	5.684	-	-	-	5.684
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	-	1.733	3	13	20	1.769
D. Closing net balance	7.703	69.569	4.783	871	2	82.928
D.1 Total net writedowns	-	17.514	8.245	11.342	47	37.148
D.2 Closing gross balance	7.703	87.083	13.028	12.212	49	120.075

11.6 Investment property: annual changes (IAS 17/32, 57, 65; IAS 40/76, 79.c,d,e)

	Total 31/12/2015	
	Land	Buildings
A. Opening gross balance	-	-
B. Increases	2.770	-
B.1 Purchases	-	-
of wich: business combinations	2.770	
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value differences	-	-
B.4 Write-backs	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	-	-
B.7 Other changes	-	-
C. Decreases	-	-
C.1 Sales	-	-
of which business combinations		
C.2 Depreciation	-	-
C.3 Negative fair value differences	-	-
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to other assets	-	-
a) property used in operations	-	-
b) non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-
D. Final carrying amount	2.770	-
E. Fair value measurement		

11.7 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

	31/12/2015		31/12/2014		
	finite useful life	indefinite useful life	finite useful life	indefinite useful life	%
A.1 Goodwill	X	9.136	X	19.136	-52,3%
A.2 Other intangible assets	-	-	-	-	-
A.2.1 Assets measured at cost	231	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	231	-	-	-	-
A.2.2 Assets measured at fair value	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	-	-	-	-	-
Total	**231**	**9.136**	**-**	**19.136**	**-51,0%**

12.2 Intangible assets: annual changes

	Goodwill	Other intangible		Other intangible		Total
		Fin.	Indef.	Fin.	Indef.	
A. Gross initial carrying amount	19.136	-	-	-	-	19.136
A.1 Total net adjustments	-	-	-	-	-	-
A.2 Net initial carrying amount	19.136	-	-	-	-	19.136
B. Increases	-	-	-	291	-	291
B.1 Purchases	-	-	-	291	-	291
of which business combinations	-	-	-	214	-	214
B.2 Increases of internally generated intangible asset	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	-	-	-	-	-	-
C. Decreases	10.000	-	-	60	-	10.060
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	10.000	-	-	-	-	10.000
- Amortisation	X	-	-	60	-	60
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	X	-	-	-	-	-
income statement	10.000	-	-	-	-	10.000
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 d	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	9.136	-	-	231	-	9.367
D.1 Total net adjustments	-	-	-	-	-	-
E. Gross final carrying amount	**9.136**	-	-	**231**	-	**9.367**
F. Measurement at cost	-	-	-	-	-	-

Key: DEF: definite-term INDEF: indefinite-term

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"), in the second half of 2013, with the aim of maximising synergies aimed at supporting future financial performance, the Bank approved a project to reorganise and simplify the holding structure based on the merger of Banca di Cividale S.p.A. and NordEstBanca S.p.A. into Banca Popolare di Cividale S.C.p.A., which was completed in 2015 with the merger of Civileasing S.p.A. and Tabogan S.r.l. Accordingly, since budgets were now prepared solely for the single legal entity resulting from the combination process, the CGU to which goodwill also effectively coincides 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:

- ✓ the strategic plan for the period 2014-2016, approved by the Board of Directors in March 2014;
- ✓ updated macroeconomic scenarios; and
- ✓ economic projections for the period 2016-2020.

Projections of future results have been extended through 2020 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 2015-2020, estimated on the basis of: i) the 2014-2016 Strategic Plan and subsequent update approved by the Board of Directors; 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;
- ✓ **Minimum capital**: the target capitalisation requirement was set at a Tier 1 ratio of 9.5%, estimated by considering the supervisory requirements imposed on the main Italian cooperative banks following the prudential review process (SREP). The CET 1 ratio target of 9.5% is nonetheless higher (by 250 bps and 100 bps, respectively) than the CET 1 ratio and Tier 1 ratio required by the Bank of Italy following the notice concerning the Decision regarding Capital.
- ✓ **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 **8.24%** 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 31 December 2015 (source: Market Information Provider) at 1.70%;
  - **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 historical average two-year betas of a sample

of quoted Italian banks (source: Market Information Provider) surveyed on 31 December 2015 at 1.09;

- **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 6.0%, in line with professional practice; and
- **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 1.5%.

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 50 basis points in the Ke with respect to 8.26%.

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, indicated the need to proceed with the impairment of goodwill for € 10 million. The reasons for the above impairment loss relate to the combined effects of the extended economic recession and the uncertain prospects of a recovery, which had a particularly pronounced influence on the areas in which the Bank operates. The results of the analysis conducted to determine the recoverable amount of the CGU referring to the full perimeter of the Bank indicate a considerably lower contribution to cash flow generation - over a significant time horizon - than considered when determining the original flows.

Section 13 - Tax assets and tax liabilities - item 130 of assets and item 80 of liabilities

Deferred tax assets came to € 63,207 thousand and may be broken down as follows:

13.1 Deferred tax assets: composition

Composition by type:	31/12/2015	31/12/2014
Tax effect on AFS reserve	83	537
Staff costs	419	495
Credit losses	54.962	49.059
Fiscal losses	4.157	381
Property and equipment	1.827	-
Other	1.759	1.101
Total	**63.207**	**51.573**

13.2 Deferred tax liabilities: composition

Deferred tax liabilities came to € 8,767 thousand and may be broken down as follows:

Composition by type:	31/12/2015	31/12/2014
Goodwill	1.206	4.195
staff costs	31	-
Tax effect on AFS	7.120	6.463
Other	409	489
Total	**8.767**	**11.148**

13.3 Change in deferred tax assets (through the income statement)

	31/12/2015	31/12/2014
1. Opening balance	50.886	51.362
2.Increases	13.047	5.179
2.1 Deferred tax assets recognised during the year	13.047	5.179
a) in respect of previous periods	2.119	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	10.928	5.179
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	959	5.656
3.1 Deferred tax assets derecognised during the year	568	169
a) reversals	-	-
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	568	169
3.2 Reduction in tax rates	-	-
3.3 Other decreases	392	5.486
a) conversion in tax assets set forth in Italian Law 214/2011	-	5.486
b) other	392	-
4.Closing balance	**62.973**	**50.886**

13.3.1 Change in deferred tax assets pursuant to Law 214/2011 (through the income statement)

	31/12/2015	31/12/2014
1. Opening balance	**48.634**	**46.914**
2.Increases	6.328	8.244
of which: business combination	1.993	12.512
3. Decreases	-	(6.524)
3.1 Reversals	-	-
3.2 Transformation into tax credits	-	(5.486)
a) from losses for the year	-	(5.486)
b) from fiscal losses	-	-
3.3 Other decreases	-	(1.038)
4.Closing balance	**54.962**	**48.634**

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

	31/12/2015	31/12/2014
1.Opening balance	4.684	4.111
2. Increases	607	573
2.1 Deferred tax liabilities recognised during the year	607	573
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	607	573
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	3.676	-
3.1 Deferred tax liabilities derecognised during the year	3.295	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	3.295	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	381	-
4. Closing balance	**1.615**	**4.684**

13.5 Changes in deferred tax assets (through equity)

	31/12/2015	31/12/2014
1.Opening balance	688	468
2. Increases	83	688
2.1 Deferred tax assets recognised during the year	83	688
a) in respect of previous periods	1	-
b) due to changes in accounting policies	-	-
c) other	83	688
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	537	468
3.1 Deferred tax assets derecognised during the year	537	468
a) reversals	-	468
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	537	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4.Closing balance	**234**	**688**

13.6 Changes in deferred tax liabilities (through equity)

	31/12/2015	31/12/2014
1.Opening balance	6.464	3.010
2. Increases	7.151	6.463
2.1 Deferred tax liabilities recognised during the year	7.151	6.463
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	7.151	6.463
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	6.463	3.010
3.1 Deferred tax liabilities derecognised during the year	6.463	3.010
a) reversals	-	3.010
b) due to change in accounting policies	-	-
c) other	6.463	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	7.152	6.464

13.7 Other information

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. 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 financial performance in 2015, the Bank did not convert DTAs to tax credits.

Probability test on deferred taxes

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

- ✓ temporary taxable 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 2014 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 Bank's financial statements at 31 December 2015, as for the 2014 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 financial statements; b) analysing such non-qualified deferred tax assets and the deferred tax assets recognised in the 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 2015.

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

	31/12/2015	31/12/2014	%
Amounts due from the tax authorities	492	846	-41,9%
Ammounts due from the tax authorities for withholdings on interest paid to customers and other amounts due	15.613	8.102	92,7%
Cheques drawn on the bank to be settled	5.273	5.447	-3,2%
Counterparts for securities ad coupon payments to be rece	1.688	1.909	-11,6%
Soundry items to be debited to customers and banks	626	581	7,9%
Value date differences on portfolio transactions	(0)	3	-103,7%
Costs and advances pending financial allocation	108	75	43,6%
Transit items	29	23	24,9%
Items finalized but not allocable to other items	24.365	9.733	150,3%
Amounts related to payment for the supply of goods and se	542	10	5132,0%
Other	472	657	-28,2%
Total	**49.207**	**27.387**	**79,7%**

The various items include:

- € 889 thousand of accounts receivable from the securitisation vehicle Quadrivio;
- € 4,428 thousand of accounts receivable from the vehicle Mercury deriving from the sale of the interest in ICBPI;
- € 1,980 thousand of invoices issued on lease payments;
- € 2,556 thousand of costs to accrue in future years.

LIABILITIES

Section 1 - Due to banks - item 10

1.1 Due to banks: composition by type

	31/12/2015	31/12/2014	%
1. Due to central banks	309.198	971.605	-68,2%
2. Due to banks	-	-	-
2.1 Current accounts and demand deposits	6.407	59.346	-89,2%
2.2 Time deposits	-	436	-100,0%
2.3 Borrowings	-	-	-
2.3.1 Repurchase agreements	-	-	-
2.3.2 other	90.724	84.918	6,8%
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	-	-
2.5 Other payables	90	98	-8,2%
Totale	**406.419**	**1.116.403**	-63,6%
Fair value-livello 1	-	-	-
Fair value-livello 2	-	-	-
Fair value-livello 3	**406.419**	**1.116.403**	-63,6%
Fair value	**406.419**	**1.116.403**	-63,6%

Section 2 - Due to customers - item 20

2.1 Due to customers: composition by type

	31/12/2015	31/12/2014	%
1. Current accounts and demand deposits	1.573.078	1.524.084	3,2%
2. Time deposits	284.813	333.369	-14,6%
3. Borrowings	-	-	-
3.1 Repurchase agreements	751.346	111.659	572,9%
3.2 Other	9.399	7.547	24,5%
4. Liabilities in respect of commitments to repurchase own equity instruments	-	-	-
5. Other payables	228.138	35.491	542,8%
Total	**2.846.774**	**2.012.150**	41,5%
Fair value - L1	-	-	-
Fair value - L2	-	-	-
Fair value - L3	**2.846.087**	**2.012.150**	41,4%
Fair value	**2.846.162**	**2.012.150**	41,4%

Section 3 - Debt securities issued - item 30

3.1 Debt securities issued: composition by type

	31/12/2015				31/12/2014			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	443.934	-	443.934	-	638.158	-	638.158	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	443.934	-	443.934	-	638.158	-	638.158	-
2. Other	31.796	-	31.796	-	50.847	-	-	50.847
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	31.796	-	31.796	-	50.847	-	-	50.847
Total	**475.730**	-	**475.730**	-	**689.006**	-	**638.158**	**50.847**

3.2 Breakdown of item 30 "Debt securities issued": subordinated securities

Description	Amount 31/12/2015	31/12/2014
Subordinated securities	47.153	48.494

The amount included under "Debt securities issued" came to € 47,153 thousand. The item refers to the following bond issues:

a) Subordinated bond of an original nominal value of € 15 million issued on 7 April 2008 having the following characteristics:

- ✓ interest rate: first coupon of 4.81% per annum, gross, payable on 7 July 2009; subsequent coupons: for the first five years, monthly average of the 3-month Euribor for the month before the date of each coupon, plus 0.25%; for the next five years of the term of the bond, i.e., starting from the coupon payable on 7 April 2013, interest will be equal to the same weighted average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable during the seventh year; 0.55% for coupons payable during the eighth year; 0.65% for coupons payable during the ninth year; and 0.75% for coupons payable during 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 having the following characteristics:

- ✓ interest rate: first coupon of 4.6% per annum, gross, payable on 13/11/2007; subsequent coupons: for the first five years, monthly average of the 3-month Euribor for the month before the date of each coupon, plus 0.25%; for the next five years of the term of the bond, i.e., starting from the coupon payable on 13 August 2012, interest will be equal to the same weighted average plus a rising spread of: 0.35% for coupons payable during the sixth year; 0.45% for coupons payable during the seventh year; 0.55% for coupons payable during the eighth year; 0.65% for coupons payable during the ninth year; and 0.75% for coupons payable during 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 an original nominal value of € 22.35 million issued on 19/12/2014 having the following characteristics:

- ✓ fixed interest rate of 2.75%;
- ✓ redemption in a single instalment at maturity;
- ✓ maturity: 13 August 2017;
- ✓ early redemption is not allowed;
- ✓ 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.

Section 4 - Financial liabilities held for trading - item 40

4.1 Financial liabilities held for trading: composition by type

	31/12/2015					31/12/2014				
		FV					FV			
	NV	L1	L2	L3	FV*	NV	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	-	-	77	663	-	-	247	-	789	-
1.1 trading	X	-	77	663	X	X	247	-	789	X
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**	**-**	**77**	**663**	**X**	**X**	**247**	**-**	**789**	**X**
Total (A+B)	**X**	**-**	**77**	**663**	**X**	**X**	**247**	**-**	**789**	**X**

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

This section 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

	31/12/2014	31/12/2013	%
Amounts due to social security and welfare institutions	1.510	1.495	1,1%
Amouns due to public entities on behalf of third parties	10.003	4.074	145,6%
Sundry items to be debited to customers and banks	-	-	0,0%
Amounts available to customers	4.610	2.855	61,5%
Amounts payable to employees	2.374	2.559	-7,2%
Value date differences on portfolio transactions	16.627	19.659	-15,4%
Sundry items to be debited to customers	2.629	4.991	-47,3%
Intems in transit between branches	1.940	1	n.s.
Accruals other than those capitalised	1.841	636	189,7%
Guarantees given	1.585	1.532	3,4%
Payables related to the supply of goods and services	3.237	3.498	-7,4%
Sundry and residual items	49.966	43.499	14,9%
Total	**96.322**	**84.797**	**13,6%**

The various items include:

- ✓ liabilities for securitisation transactions of € 17,385 thousand;
- ✓ third-party funds for agricultural loans of € 7,415 thousand;
- ✓ INPS pension payments of € 14,198 thousand;
- ✓ leasing direct debits to be collected of € 2,892 thousand;
- ✓ other liabilities to be determined according to the accrual principle of € 8,076 thousand.

Section 11 - Employee termination benefits - item 110

11.1 Employee termination benefits: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**6.022**	**5.645**
B. Increases	**1.718**	**1.595**
B.1 Provision for the year	1.700	1.595
B.2 Other increases	18	-
C. Decreases	**2.151**	**1.217**
C.1 Severance payments	379	418
C.2 Other decreases	1.773	800
D. Closing balance	**5.589**	**6.022**
Total	**5.589**	**6.022**

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: 2.03%;
- ✓ annual inflation rate: 1.5%;
- ✓ annual rate of termination benefit increase: 2.5%.

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.

Section 12 - Provisions for risks and charges - item 120

12.1 Provisions for risks and charges: composition

	31/12/2015	31/12/2014
1. Company pension plans	-	-
2. Other provisions	8.979	4.907
2.1 legal disputes	2.068	1.250
2.2 staff costs	5.608	1.530
2.3 other	1.303	2.127
Total	**8.979**	**4.907**

12.2 Provisions for risks and charges: annual changes

	Pension plans	Other provisions	Total
A. Opening balance	-	**4.907**	**4.907**
B. Increases	-	**5.925**	**5.925**
B.1 Provision for the year	-	5.785	5.785
B.2 Changes due to passage of time	-	-	-
B.3 Changes due to changes in discount rate	-	-	-
B.4 Other increases	-	140	140
of which: business combinations	-	140	140
C. Decreases	-	**1.853**	**1.853**
C.1 Use during the year	-	1.853	1.853
C.2 Changes due the changes in discount rate	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	-	**8.979**	**8.979**

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 € 1,310 thousand as at 31 December 2015 and represents the estimated amount of expected liabilities, calculated individually and 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.

Provision for contingencies and complaints

This provision amounted to € 7,669 thousand at 31 December 2015 and consisted of € 3,540 thousand set aside for complaints by customers and legal disputes with former employees, € 129 thousand accrued for the contribution to the interbank deposit protection fund, and € 4,000 thousand of accruals for the voluntary redundancy procedure with the use of the solidarity fund in support of income, employment, re-integration and retraining.

Other information

The Directors did not believe it necessary to recognise any provisions for legal risk pursuant to Legislative Decree 231/2001 at 31 December 2015 in connection with the circumstances illustrated in the report on operations that resulted in the decision to bring Banca Popolare di Cividale to trial and the subsequent witness hearings.

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 Bank 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).

At 31 December 2015, Banca Popolare di Cividale had fully subscribed and paid-in share capital of € 50,913 thousand, divided into 16,971,085 ordinary shares.

14.1 Share capital and treasury shares: composition

	31/12/2015	31/12/2014	%
1. Share capital	50.913	50.913	0,0%
2. Share premiums	167.022	167.022	0,0%
3. Reserves (*)	48.274	42.922	12,5%
4. (Treasury shares)	-	-	-
5. Valuation reserves	23.308	11.126	109,5%
6. Capital instruments	-	-	-
7. Net income (loss) for the period	24.053	5.803	314,5%
Total	**313.570**	**277.786**	**12,9%**

14.2 Share capital - number of shares: annual changes

	Ordinary	Other
A. Shares at start of year	16.971.085	-
- fully paid	-	-
- partly paid	-	-
A.1 Treasury stock (-)	-	-
A.2 Shares in circulation: opening balance	16.971.085	-
B. Increases	-	-
B.1 New issues	-	-
- paid issues:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**16.971.085**	-
D.1 Treasury stock (+)	-	-
D.2 Shares at end of the year	16.971.085	-
- fully paid	16.971.085	-
- partly paid	-	-

14.3 Share capital: other information
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 31/12/2015	UTILISATION OPTIONS	AMOUNT AVAILABLE	USE IN PRIOR YEARS FOR LOSS COVERAGE	OTHER
Share capital	**50.913**	-	-	-	-
Capital reserves	-	-	-	-	-
Share premiums	167.022	A - B - C	167.022	167.022	-
Valuation reserves	23.308	A-B	23.308	23.308	-
Other reserves	-	**A - B - C**	-	-	-
- legal reserve	19.788	B	19.788	19.788	-
- reserve for the purchase of tre:	-	-	-	-	-
- statutory reserve	27.501	A - B	27.501	27.501	-
- other reserves	985	A - B	985	985	-
- retained earnings	-	A - B	-	-	-
Net income for the period	24.053	-	-	-	-
Total	**313.570**	-	**238.604**	**238.604**	-
Non available	-	-	-	-	-
Available	**313.570**	-	**238.604**	**238.604**	-

14.4 Earnings reserves: other information

	31/12/2015	31/12/2014	%
Legal reserve	19.788	19.208	3,0%
Statutory reserve	27.501	22.279	23,4%
Other reserves	5.500	5.500	0,0%
Merger deficit - surplis	(4.515)	(4.064)	11,1%
Total	**48.274**	**42.922**	**12,5%**

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

	31/12/2015	31/12/2014	%
1) Financial guarantees issued	17.000	32.615	-47,9%
a) Banks	3.342	3.342	0,0%
b) Customers	13.658	29.272	-53,3%
2) Commercial guarantees issued	50.567	51.747	-2,3%
a) Banks	-	435	-100,0%
b) Customers	50.567	51.311	-1,5%
3) Irrevocable commitments to disburse funds	11.856	13.611	-12,9%
a) Banks	-	-	-
i) certain use	-	-	-
ii) uncertain use	-	-	-
b) Customers	11.856	13.611	-12,9%
i) certain use	232	223	4,0%
ii) uncertain use	11.624	13.388	-13,2%
4) Commitments underlying credit derivatives: sales of protection	-	-	-
5) Assets pledged as collateral for third-party debts	-	-	-
6) Other commitments	-	-	-
Total	**79.423**	**97.973**	**-18,9%**

2. Assets pledged as collateral for liabilities and commitments

	31/12/2015	31/12/2014	%
1. Financial assets held for trading	-	-	-
2. Financial assets recognized at fair value	-	-	-
3. Financial assets available for sale	-	940.566	-100,0%
4. Financial assets held to maturity	-	64.697	-100,0%
5. Loans to banks	-	-	-
6. Loans to customers	-	7.030	-100,0%
7. Property, plant and equipment	-	-	-

In addition, the Bank has committed off-balance sheet securities with a value of € 298 million as collateral, of which € 50 million 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 funding transactions.

4. Management and intermediation services

	31/12/2015
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	**255.265**
a) individual	255.265
b) collective	-
3. Custody and administration of securities	**3.753.426**
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	876.336
1. securities issued by reporting entity	369.775
2. other	506.561
c) third-party securities deposited with third parties	869.589
d) securities owned by bank deposited with third parties	2.377.276
4. Other	

5 - 6 Financial assets/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 Banca Popolare di Cividale, 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: Global Master Repurchase Agreements (GMRAs);
- for securities lending: global master securities lending agreements (GMSLAs).

Technical forms	Gross amountof financial assets	Amount of financial liabilities offset in the financial statements	Net amount of financial assets shown in the financial statements	Related amounts not offse tin the financial statements		Net amount 31/12/2015	Net amount 31/12/2014
				Financial instruments	Cash deposits received as collateral		
	(a)	(b)	(c=a-b)	(d)	(e)	(f=c-d-e)	
1. Derivatives	155	-	155	-	-	155	46
2. Repurchase agreements							
3. Securities lending							
4. Other							
Total 31/12/2015	**155**	**-**	**155**	**-**	**-**	**155**	**X**
Total 31/12/2014	**46**	**-**	**46**	**-**	**-**	**X**	**46**

Technical forms	Gross amountof financial assets	Amount of financial liabilities offset in the financial statements	Net amount of financial assets shown in the financial statements	Related amounts not offse tin the financial statements		Net amount 31/12/2015	Net amount 31/12/2014
				Financial instruments	Cash deposits received as collateral		
	(a)	(b)	(c=a-b)	(d)	(e)	(f=c-d-e)	
1. Derivatives	691	-	691	848	-	(157)	796
2. Repurchase agreements							
3. Securities lending							
4. Other							
Total 31/12/2015	**691**	**-**	**691**	**848**	**-**	**(157)**	**X**
Total 31/12/2014	**1.148**	**-**	**1148**	**352**	**0**	**X**	**796**

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	31/12/2015	31/12/2014	%
1. Financial assets held for trading	35	-	-	35	112	-68,9%
3. Financial assets available for sale	16.833	-	-	16.833	23.074	-27,1%
4. Financial assets held to maturity	2.604	-	-	2.604	3.116	-16,4%
5. Due from banks	185	202	-	387	1.214	-68,1%
6. Loans to customers	-	77.007	-	77.007	85.536	-10,0%
6. Financial assets recognised at fair value	-	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-	-
8. Other assets	X	X	-	-	-	-
Total	19.657	77.209	-	96.866	**113.052**	**-14,3%**

1.2 Interest income and similar revenues: differentials on hedging transactions
This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

1.3 Interest income and similar revenues: other information
1.3.1 Interest income on foreign-currency financial assets

	31/12/2015	31/12/2014	%
Interest income on foreign-currency financial assets - securities	72	116	-38,1%
Total	**72**	**116**	**-38,1%**

1.3.2 Interest income on finance leases

	31/12/2015	31/12/2014	%
Interest income on financial lease payables	7.272	-	100,0%
Total	**7.272**	**-**	**100,0%**

1.4 Interest expense and similar charges: composition

	Debt	Securities	Other liabilities	31/12/2015	31/12/2014	%
1. Due to Central Banks	379	X	-	379	1.757	-78,4%
2. Due to banks	2.396	X	-	2.396	2.899	-17,3%
3. Due to customers	15.958	X	-	15.958	26.090	-38,8%
4. Securities issued	X	12.848	-	12.848	17.671	-27,3%
5. Financial liabilities held for trading	-	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-	-
7. Other liabilities	X	X	-	-	-	-
8. Hedging derivatives	X	X	-	-	-	-
Total	**18.733**	**12.848**	**-**	**31.581**	**48.416**	**-34,8%**

1.5 Interest expense and similar charges: differentials on hedging transactions
This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

1.6 Interest expense and similar charges: other information
1.6.1 Interest expense on foreign-currency financial liabilities

	31/12/2015	31/12/2014	%
Interest expence on foreign-currency financial assets	216	309	-30,1%
Total	**216**	**309**	**-30,1%**

1.6.2 Interest expense on finance lease liabilities
There was no interest expense on finance leases.

Section 2 - Commissions - items 40 and 50

2.1 Commission income: composition

	31/12/2015	31/12/2014	%
a) guarantees issued	909	944	-3,7%
b) credit derivatives	-	-	-
c) management, intermediation and advisory services:	7.798	7.848	-0,6%
1. trading in financial instruments	-	-	-
2. foreign exchange	599	535	12,1%
3. asset management	2.046	1.803	13,5%
3.1 individual	2.046	1.803	13,5%
3.2 collective	-	-	-
4. securities custody and administration	223	245	-8,9%
5. depository services	-	-	-
6. securities placement	3.483	3.958	-12,0%
7. reception and transmission of orders	622	674	-7,7%
8. advisory services	-	-	-
8.1. on investments	-	-	-
8.2. on financial structure	-	-	-
9. distribution of third-party services	825	633	30,2%
9.1 asset management	-	-	-
9.1.1 individual	-	-	-
9.1.2 collective	-	-	-
9.2 insurance products	825	633	30,2%
9.3 other	-	-	-
d) collection and payment services	8.356	7.785	7,3%
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	5.761	6.041	-4,6%
j) other	5.549	5.847	-5,1%
Total	**28.373**	**28.464**	**-0,3%**

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2015	31/12/2014	%
a) at Bank branches:	6.325	6.375	-0,78%
1. portfolio management	2.018	1.783	13,13%
2. placement of securities	3.483	3.958	-12,00%
3. third party products and services	825	633	30,15%
b) outside bank branches:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third party products and services	-	-	-
c) other distribution channels:	29	19	47,79%
1. portfolio management	29	19	47,79%
2. placement of securities	-	-	-
3. third party products and services	-	-	-

2.3 Commission expenses: composition

	31/12/2015	31/12/2014	%
a) guarantees received	66	37	80,8%
b) credit derivatives	-	-	-
c) management and intermediation services:	19	22	-14,0%
1. trading in financial instruments	12	19	-36,7%
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	7	3	124,8%
6. off-premises distribution of securities, products and services	-	-	-
d) collection and payment services	2.555	2.291	11,5%
e) other services	3.050	5.040	-39,5%
Total	**5.691**	**7.390**	**-23,0%**

Commission expense for "other services" includes commissions of € 2,104 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

	31/12/2015		31/12/2014		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	18	-	10	-	86,0%
B. Financial assets available for sale	997	-	917	-	8,6%
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	-	X	-	X	-
Total	**1.015**	**-**	**927**	**-**	**9,4%**

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					
1.1 Debt securities	0	628	71	-	556
1.2 Equity securities	-	-	-	561	(561)
1.3 Units in collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading					
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	10
4. Derivatives					
4.1 Financial derivatives					
- on debt securities and interest rates	7.330	685	7.363	676	- 24
- on equity securities and equity indices	-	-	-	-	-
- on foreign currencies and gold	X	X	X	X	623
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**7.330**	**1.313**	**7.435**	**1.237**	**604**

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

This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

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

6.1 Profits (loss) on disposal of investments: composition

	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	102	72	30	-	-	-
3. Financial assets available for sale	84.273	2.951	81.322	36.720	2.164	34.556
3.1 Debt securities	17.750	2.951	14.799	36.692	1.476	35.216
3.2 Equity securities	66.486	-	66.486	-	688	-
3.3 Units in collective investment undertakings	37	-	37	28	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**84.375**	**3.022**	**81.353**	**36.720**	**2.164**	**34.556**
Financial liabilities	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	109	1.216	(1.107)	1.453	916	537
Total liabilities	**109**	**1.216**	**(1.107)**	**1.453**	**916**	**537**

Item 3.2 refers solely to the sale of the interests held in ICBPI.

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)				31/12/2015	31/12/2014	%
	Specific			Specific		Portfolio				
	Writeoffs	Other		A	B	A	B			
A. Loans to banks	-	1.473	-	-	-	-	-	1.473	-	-
- Loans	-	-	-	-	-	-	-	-	-	0%
- Debt securities	-	1.473	-	-	-	-	-	1.473	-	0%
B. Loans to customers	2.485	59.303	-	626	5.494	-	1.731	53.937	32.052	68%
Non performing loans purchased	-	-	-	-	-	-	-	-	-	-
- Loans	-	-	X	-	-	X	X	-	-	-
- Debt securities	-	-	X	-	-	X	X	-	-	-
Other	2.485	59.303	-	626	5.494	-	1.731	53.937	32.052	68%
- Loans	2.485	59.303	-	626	5.494	-	1.731	53.937	32.052	68%
- Debt securities	-	-	-	-	-	-	-	-	-	-
C. Total	**2.485**	**60.776**	**-**	**626**	**5.494**	**-**	**1.731**	**55.410**	**32.052**	**73%**

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)		31/12/2015 (3)	31/12/2014
	Specific		Specific			
	Writeoffs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	3.241	X	X	3.241	1.989
C. Units in collective investment undertakings	-	1.689	X	-	1.689	50
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**4.930**	**-**	**-**	**4.930**	**2.039**

Key: A = interest B = other write-backs

Impairment losses are recognised in cases of prolonged or significant decreases in the fair value of equity instruments to less than their initial carrying amounts.

Impairment losses of € 3,241 thousand were recognised through the income statement on equity instruments during the reporting year. Such losses may be broken down as follows:

- ✓ Mediocredito FVG: € 1,223 thousand;
- ✓ Cassa di Risparmio di Ferrara: € 952 thousand;
- ✓ Sipi Investimenti: € 315 thousand;

- ✓ Cassa di Risparmio di Bolzano: € 255 thousand;
- ✓ Banca dell'Etruria e del Lazio: € 192 thousand;
- ✓ KB 1909: € 164 thousand;
- ✓ Friulia SpA: € 103 thousand;
- ✓ Deželna Banka Slovenije: € 22 thousand;
- ✓ Friuli News: € 13 thousand;
- ✓ Torre Natisone: € 2 thousand.

The impairment losses on interests in UCIs refer to the shares in:

- ✓ Fondo Immobiliare Asset Bancari of € 1,364 thousand;
- ✓ Fondo Immobiliare Asset Bancari of € 287 thousand;
- ✓ Aladinn Ventures of € 20 thousand;
- ✓ Fondo Italiano di Investimento of € 18 thousand.

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

	Writedowns (1)			Writebacks (2)				31/12/2015	31/12/2014
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued	-	-	292	-	5	-	234	53	702
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	-	**292**	-	**5**	-	**234**	**53**	**702**

Key: A = interest B = other write-backs

Section 9 - G&A expenses - item 150

9.1 Personnel expenses: composition

	31/12/2015	31/12/2014	%
1) Employees	39.355	38.004	3,6%
a) wages and salaries	27.106	25.915	4,6%
b) social security contributions	7.439	7.241	2,7%
c) severance benefits	215	76	182,5%
d) pensions	-	-	-
e) allocation to employee severance benefit provision	1.608	1.696	-5,2%
f) allocation to provision for pensions and similar liabilities	-	-	-
- defined contribution	-	-	-
- defined benefit	-	-	-
g) payments to external pension funds	1.339	1.193	12,2%
- defined contribution	1.339	1.193	12,2%
- defined benefit	-	-	-
h) costs in respect of agreements to make payments	-	-	-
in own equity instruments	-	-	-
i) other employee benefits	1.648	1.884	-12,5%
2) Other personnel	587	565	3,9%
3) Board of Directors	714	525	36,0%
4) Early retirement costs	-	-	-
5) Recovery of expenses for employees of the Bank seconded to other entities	-	(65)	-100,0%
6) Reimbursement of expenses for employees of other entities seconded to the Bank	-	38	-100%
Total	**40.657**	**39.067**	**4,1%**

9.2 Average number of employees by category

	2015	2014
Employees	-	-
a) Senior management	10	8
b) Middle management	236	230
of which Grade III and IV	117	111
c) Other personnel	337	339
Other personnel	-	-
Total	**583**	**577**

9.4 Other employee benefits

Other employee benefits include € 561 thousand in meal vouchers and € 626 thousand in insurance policies.

9.5 Other administrative expenses: composition

	31/12/2015	31/12/2014	%
Compensation for professional and consultancy se	3.889	2.810	38,4%
Insurance	284	280	1,5%
Advertising	828	807	2,6%
Telephone, postal and data transmission	504	581	-13,3%
Office supplies and printing	208	443	-52,9%
Maintenance and repairs	1.098	1.240	-11,5%
Electricity, heating and shared property service ch	1.156	1.219	-5,2%
Services provided by third parties	9.395	8.929	5,2%
Cleaning	633	645	-1,9%
Travel expenses	1.064	1.100	-3,3%
Security and transport of valuables	151	144	5,4%
Membership fees	546	503	8,6%
Commercial information	1.118	1.013	10,4%
Magazine and newspaper subscriptions	66	71	-6,2%
Rent payable	2.257	2.494	-9,5%
Entertaining expenses	38	205	-81,4%
Taxes and duties	6.870	6.758	1,7%
Contributions to SFR and DGS	6.584	-	100,0%
Other expenses	1.321	1.196	10,5%
Total	**38.010**	**30.437**	**24,9%**

Contributions to SFR and DGS

The BRRD (Bank Recovery and Resolution Directive - 2014/59/EU) establishes the new resolution rules applicable to all banks in the European Union from 1 January 2015. The measures in the BRRD are funded by the National Resolution Fund established by each of the 28 Member States. The funds must be paid in advance until a minimum level of 1% of the guaranteed deposits is reached by 31 December 2024. Extraordinary contributions are also to be provided on an ex-post basis if the financial resources are insufficient to fund resolution, up to a maximum of three times the annual amounts of ordinary contributions. The regulation instituting the Single Resolution Mechanism (Single Resolution Mechanism Regulation - 2014/806/EU), which entered into force on 1 January 2016, also establishes the creation of the Single Resolution Fund (SRF), which will be managed by the new European resolution authority (the Single Resolution Board or SRB).

Legislative Decree 180 of 16 November 2015, which transposes the BRRD into Italian law, establishes an obligation to institute one or more national resolution funds with effect from 2015. The Bank of Italy, in its capacity as national resolution authority, therefore instituted Italy's National Resolution Fund for 2015 by Order 1226609/15 of 18.11.2015.

The annual contributions owed by each intermediary were determined as a function of the amount of liabilities, net of own funds, protected deposits and, for entities belonging to groups, intra-group liabilities. The basis for determining contributions was adjusted according to the intermediaries' risk profile. The correction for risk may result in a discount (a maximum of 20%) or a penalty (up to 50%) to be applied to the base contribution. According to this logic, the Bank was required to pay an annual contribution of € 1.55 million.

With effect from 23 November 2015, Law Decree 183 of 23 November 2015 applied the "bridge entity" resolution mechanism provided for in the BRRD to Banca delle Marche S.p.A., Banca Popolare dell'Etruria e del Lazio S.C.p.A., Cassa di Risparmio della Provincia di Chieti S.p.A. and Cassa di Risparmio di Ferrara S.p.A. In light of the need to make immediate use of the resources in the resolution process for the banks mentioned above, the extraordinary contribution needed to be collected, in accordance with Article 83 of the above Legislative Decree 180/2015 and Article 4 of Order 1226609/15 instituting the fund. Considering the aforementioned need for intervention, the extraordinary contribution levied was equal to three years of ordinary contributions, or € 4.65 million.

The DGS (Deposit Guarantee Schemes - 2014/49/EU) Directive is aimed at reinforcing the protection of depositors and harmonising the legislative framework at the European level. The new directive requires that all Member States adopt an advance funding system, the target level of which is set at 0.8% of the guaranteed deposits, to be reached in ten years.

The extraordinary meeting of the Interbank Deposit Protection Fund, during its session of 26/11/2015, approved the amendment to the Fund's Charter aimed at anticipating the introduction of the new financing

mechanism envisaged in Directive 2014/49/EU (DGSD), broken down into ordinary (advance) and extraordinary (subsequent) contributions.
In particular, Art. 21 (1) requires that the Fund establish available financial resources until reaching the target level of 0.8% of total protected deposits by 3 July 2024 through the ordinary contributions of participating banks.
The Fund's Council has established the amount of the advance contribution for 2015 at 50% of the annual level, on the basis of the amount of protected deposits at 30 September 2015. The amount paid by the Bank for 2015 was € 0.38 million.

Section 10 - Net provisions for risks and charges - item 160

10.1 Net provisions for risks and charges: composition

	31/12/2015	31/12/2014	%
Customer disputes	121	706	-82,9%
Provision for legal disputes	-	129	-100,0%
Revocatory actions	568	450	26,2%
Other	4.889	1.358	260,0%
Total	**5.578**	**2.643**	**111,0%**

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) 2015
A. Property, plant and equipment				
A.1 owned	2.436	5.684	-	8.120
- operating assets	2.436	5.684	-	8.120
- investment property	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
Total	**2.436**	**5.684**	-	**8.120**

Section 12 - Charges/write-backs on impairment of intangible assets - item 180

12.1 Charges/write-backs on impairment of intangible assets: composition

	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments 2015 (a+b-c)
A. Intangible assets				
A.1 Owned	59	-	-	59
- generated internally by the Bank	-	-	-	-
- other	59	-	-	59
A.2 Acquired under finance leases	-	-	-	-
Total	**59**	-	-	**59**

Section 13 - Other operating income/expenses - item 190

13.1 Other operating expenses: composition

	31/12/2015	31/12/2014	%
a) impairment losses on non-current assets under finance leases	-	-	-
b) losses on disposal of property, securities held as non-current assets, equity investments, other assets	-	-	-
c) out-of-period expenses and reductions in assets	(1.306)	(851)	53,4%
d) other	(283)	(310)	-8,6%
Total	**(1.589)**	**(1.161)**	**36,9%**

13.2 Other operating income: composition

	31/12/2015	31/12/2014	%
a) merchant banking	-	-	-
b) premiums received for options	-	-	-
c) other income - rentals and fees	267	184	45,1%
d) expenses charged to others - recovery of taxes	5.646	5.779	-2,3%
e) expenses charged to others - customer insurance premiums	-	-	-
f) expenses charged to others on deposits and current accounts	586	530	10,6%
g) expenses charged to others - intercompany services	-	-	-
h) expenses charged to others - other	1.528	1.309	16,7%
i) gains on disposal of property, securities held as non-current as	-	-	-
l) out-of-period income and reductions in liabilities	632	1.039	-39,1%
Total	**8.659**	**8.841**	**-2,0%**

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)

	31/12/2015	31/12/2014	%
A. Revenues	-	-	-
1. Revaluations	-	-	-
2. Profits on disposal	-	-	-
3. Write-backs	-	-	-
4. Other	-	-	-
B. Charges	49	5.223	-99%
1. Write-downs	49	5.223	-99%
2. Impairment losses	-	-	-
3. Losses on disposal	-	-	-
4. Other	-	-	-
Net result	**(49)**	**(5.223)**	**-99%**

Impairment losses and equity investments refer to the impairment loss of € 49 thousand on ITAS Assicurazioni.

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

	31/12/2015	31/12/2014	%
1. Current taxes (-)	(3.096)	(15.068)	-79,5%
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 (+)	-	5.486	-100,0%
4. Change in deferred tax assets (+/-)	10.425	5.180	101,2%
5. Change in deferred tax liabilities (+/-)	2.688	(543)	-595,4%
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	**10.017**	**(10.430)**	**-196,0%**

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

	31/12/2015	31/12/2014
Income (loss) before tax from continuing operations	14.036	16.233
Income (loss) before tax on groups of assets/liabilities under disposal	-	-
Theoretical taxable income	14.036	16.233
Income tax - theoretical tax expense	(3.860)	(4.464)
Effect of non-taxable or taxed at reduced rates positive components of income	3.949	242
Effect of taxed positive components of income	-	-
Effect of revenues that do not form taxable income	11.698	(3.452)
Income tax - actual tax expense	**11.787**	**(7.674)**
Theoretical tax expense - Irap	(653)	(3.247)
Effect of revenues/expenses that do not form taxable income	585	22
Effect of other changes	(1.702)	469
Actual tax expense - IRAP	**(1.770)**	**(2.756)**
Other taxes	-	-
Actual tax expenses for the period	**10.017**	**(10.430)**
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	31/12/2015	31/12/2014
Adjusted attributable profit	24.053	5.803
Weighted average number of shares	16.971.085	16.971.085
Basic Earning per share	**1,42**	**0,34**

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.

Chapter D – COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10	**NET INCOME (LOSS)**	**x**	**x**	**24.053**
	Other comprehensive income without reclassification to profit or loss	-	-	-
40	Defined-benefit plans	111	31	80
100	Financial assets available-for-sale:	13.213	1.111	12.102
	a) fair value changes	13.213	1.111	12.102
130	**Total other comprehensive income**	**13.324**	**1.142**	**12.182**
140	**TOTAL COMPREHENSIVE INCOME**	**-**	**-**	**36.235**

Chapter E – RISKS AND HEDGING POLICIES

Identifying the risks to which the Bank is actually or 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 Banca Popolare di Cividale 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.

These principles are formally stated and illustrated in specific policies and the related rules and procedures concerning risks identified as significant. These documents, which are submitted for the approval of the Bank's Board of Directors, govern the set of regulated risks, significant and periodically monitored indicators, observation thresholds and operating limits, breach management methods, stress tests applied and the company's organisational structure, bodies and functions charged with performing the activities concerned, in keeping with the roles and responsibilities assigned to them.

In this process, which takes place at various levels of the organisational structure, a fundamental role is played, in accordance with prudential regulations, by the Bank's Board of Directors, which is responsible for establishing directives and strategic guidelines concerning the assumption of risk, approving strategic and operational limits (RAF) and drawing up the related guidelines.

The Risk Appetite Framework (RAF) thus represents the general architecture within which the risks assumed by the Bank are managed, through the establishment of general principles concerning maximum risk tolerance and the ensuing structure for oversight of the Bank's overall risk profile and major specific risks. The process requires a high degree of consistency and reconciliation of the strategic plan, RAF, ICAAP, budget and internal control system.

The Risk Committee has been added to the new Articles of Association approved by the Shareholders' Meeting on 26 April 2015, in accordance with supervisory regulations. The Risk Committee, instituted within the Board of Directors, is composed of three non-executive independent directors and at least one member of the Board of Statutory Auditors. It has preliminary, consultative and propositional duties relating to the Internal Control System and risk management. Its main aim is to act as liaison between the Board of Directors, Board of Statutory Auditors, control functions and the Bank's other organisational units.

The activities attributed to the Risks Committee by the supervisory regulations include liaising with control functions. In accordance with the supervisory rules (Bank of Italy Circular No. 285/2013), the organisational structure of Banca Popolare di Cividale identifies 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. The three functions (Risk Management, Compliance and Internal Auditing) are part of the internal control system, governed by prudential supervisory regulations, the internal document Internal Control System Guidelines, and the Rules and Procedures for the Coordination of Control Functions.

Risk Management Service

It performs a risk control function, as prescribed by the specific supervisory rules. It is divided 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, strategic, and reputation risk). The Risk Management Service pursues the objective of monitoring the actual risk assumed by the Bank, as well as of observance of operating limits, and contributes to defining the Risk Appetite Framework (RAF). 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 is also tasked with formulating advance opinions on the consistency of major transactions with the RAF, and with analysing the risks of new products and services and the risks arising from entry into new operating and market segments. It supervises the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) required under supervisor regulations.

Compliance Service

Legal compliance is the responsibility of an independent function that supervises management of non-compliance risk, 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.

Other committees

According to the organisational model, a Management Committee, Risk Management Committee and an Asset and Liability Committee have also 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 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.

Within the overall Internal Control System, the Risk Management Committee, composed of the senior management and the heads of the Bank's major services (Finance, Loans, Financial Reporting and Risk Management) plays a consultative, informational and propositional role in decisions of an operational nature relating to initiatives and projects that have an impact on the risk management process and assisting the general manager in performing the roles assigned to him under internal risk management policies.

The ALCo (Assets and Liabilities Committee), of which the Risk Manager is also a member, is charged with proposing the Bank’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.

ICAAP and ILAAP at Banca Popolare di Cividale

In accordance with the regulatory provisions governing the prudential control process, the Bank has implemented specific company rules, approved by the 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 Bank'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 Bank, in accordance with the Risk Appetite Framework (RAF);
- ✓ 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 Bank'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 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 Bank is exposed, support the company's growth plans and maintain suitable market standing.
With effect from the figures at 31 December 2015, subject to reporting to the supervisory authorities by 30 April of each year, banks are required to draw up adequate descriptive disclosure, which must be approved and signed by the Board of Directors, concerning the liquidity governance and management system, and explicitly to affirm the adequacy of the safeguards applicable to liquidity risk, according to a logic similar to that applied to the adequacy of own funds. This process is designated the Internal Liquidity Adequacy Assessment Process (ILAAP). Like ICAAP, ILAAP is a process aimed at allowing the timely identification and management of situations of risk and must be implemented by the Bank on an ongoing basis.
The disclosure obligations imposed by prudential regulations (Bank of Italy Circular 285/2013 and the CRR, Regulation EU No 575/2013) are discharged through preparation of the Disclosure by Institutions document published in the specific Investor Relations section of the company's website, www.civibank.it. 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 is an essential element of the core business of Banca Popolare di Cividale, and in this context the Bank is exposed to the risk that some loans may not be repaid either when they come due or thereafter, as result of the deterioration of the financial conditions of the obligor, and must therefore be written down in whole or in part.
The objectives of its lending policies and loan approval and management rules are directed towards:

- ✓ supporting business development in the Bank's area of operation, while focusing on assistance for and relationships with small and medium enterprises and families;
- ✓ diversifying the portfolio, by limiting the concentration of exposures to individual counterparties/groups and individual sectors of the economy;
- ✓ efficiently selecting groups and companies to which to lend through a thorough analysis of creditworthiness aimed at limiting the risk of default;
- ✓ constantly monitoring relationships, through both automatic procedures and systematic surveillance of positions, in order to identify any signs of imbalance in a timely manner and then launch the corrective measures aimed at preventing the relationship from deteriorating.

The quality of the loan portfolio is constantly monitored in accordance with precise operating rules throughout all phases of the management of loan positions.

2. Credit risk management policies

2.1 Organisational aspects

Within the organisational structure adopted by Banca Popolare di Cividale, management of credit risk is entrusted to the following organisational units, to varying extents, in accordance with the mission and activities assigned to each under specific internal rules and procedures:

- ✓ Loan Department: it is tasked with overseeing the process of assuming all types of risks associated with lending for the Banca Popolare di Cividale, with the support of the Head of the Loan Service. Through the general management, after having obtained the opinion of the Risk Management function, it proposes credit management policies to the Board of Directors. It is responsible for ensuring that the lending process is compliant with the provisions of the law, supervisory authority, Articles of Association and internal rules and procedures, and it constantly updates the technical procedures for loan application review, assessment and disbursement and the associated internal rules;
- ✓ Loan Service (an operating unit of the Loan Department): it is charged with managing and verifying the process of assuming risks associated with lending for Banca Popolare di Cividale: the Loan Application Review Office, Loan Register Office and Mortgage Administration Office are all part of the Loan Service;

- ✓ Loan Monitoring Office (an operating unit included in the staff of the Loan Department, introduced in April 2015): it supervises the ongoing monitoring activities of positions of risk in order to maintain quality within acceptable limits; performs the appropriate controls of a systemic nature or on a sample basis concerning the actual performance of the tasks assigned to the various credit monitoring and management functions;
- ✓ Anomalous Loan Office (an operating unit within the staff of the Loan Department introduced in April 2015): it manages positions classified as unlikely to pay and positions that present operational anomalies in the context of the assigned credit limits and/or unauthorised uses of credit, or that have been directly or indirectly affected by adverse events, which are assigned to the unit according to predetermined portfolio assignment criteria; it delivers instructions to network structures for the performance of the appropriate management activities deemed necessary to protect credit; it submits proposals to the competent bodies concerning the amount of the provisions to be set aside to account for positions classified as unlikely to pay when preparing the financial statements;
- ✓ Legal and Dispute Service/Dispute Office: it manages legal aspects of positions classified as bad debts, and in particular is responsible for taking legal measures and actions aimed at recovering the amounts concerned, on which it reports periodically to company bodies. It is also tasked with conducting assessments of loss projections for individual disputed positions and proposing the necessary provisions;
- ✓ Risk Management Service/Credit Risk Management Office: it identifies, assesses and conducts systematic, integrated management of the credit risk assumed by the company, in addition to ensuring an adequate system for reporting to company bodies and the responsible production units. It collaborates in setting the RAF, drafting the credit policy with regard to the assumption of credit and concentration risks and establishing the related operating limits;
- ✓ Finance Service/Treasury & Funding Office: in the context of its specific operations, it is tasked with ensuring the compliance of financial assets with the prescriptions of the rules and procedures for credit risk as regards credit limits for borrowers (monitoring of the system of limits imposed by the regulations).

2.2 Management, measurement and control systems

The risk profile of the loan portfolio of Banca Popolare di Cividale is monitored throughout all phases of the process, beginning with application review and assessment of the borrower's satisfaction of reliability requirements, through verification of the borrower's creditworthiness, the transaction's risk level, the appropriateness of the return and the current and prospective sustainability of the credit risk. The power to approve loans is delegated by the network to central offices and company bodies, according to a system governed by the Lending Process Rules and Procedures, which provide for specific loan authorisation powers assigned according to various criteria including the amount of the credit facility, weighted by expected loss (the credit risk parameters probability of default PD, loss given default LGD and exposure at default EAD) and additional corrective factors; risk type, the rating class, the primary reason for applying for the loan, the classification of the counterparty as non-performing or a change of risk level, and specific cases falling within the exclusive purview of the Board of Directors.

The credit decision-making process is supported by internal procedures (the Electronic Lending Procedure and Rating Procedure), which allow management of all phases of the lending process (from contact with the customer to application review, disbursement and management and final closure), as well as of the rating assignment process. All applications are automatically assigned to the competent level according to the rules and limits of amount laid down in the Lending Process Rules and Procedures.

Creditworthiness is analysed according to elements of a quantitative nature (income components, financial statement analysis, and internal and systemic performance data) and of a qualitative nature (a thorough understanding of the customer, the competitive climate in which the customer operates, an analysis of the sector, shareholder composition, adverse entries, and so forth), with the use of specific data providers (in particular, CRIF for individual customers, CERVED for company chamber of commerce certificates and adverse entries, CEBI for financial statements, and so forth).

A fundamental element of the parameters and tools used to manage credit risk by Banca Popolare di Cividale is represented by the internal ratings calculated according to differentiated models and specifically estimated by customer segment (Corporate, SME Corporate, Small Retail, Micro Retail and Individuals).

The rating system developed by the Creval Group, externally to Banca Popolare di Cividale, calls for the establishment of a new rating assignment process involving the introduction of a rating procedure (part of a specific larger procedure, integrated into the loan application review phase) aimed at analysing quantitative and qualitative information concerning the borrower to be used to calculate the online rating or acceptance rating.

The ratings assigned online (by the rating procedure) are subject to a monthly monitoring process aimed at identifying signs of significant deterioration of the risk profile, through automatic mass calculation of "monitoring" ratings with monthly frequency, using all up-to-date quantitative information that may be drawn from the systems (register, consolidated exposures at the end of the month, financial statement data and performance data) and the most recent qualitative questionnaire completed.

For enterprise segments (Corporate, Corporate SMEs, Retail SMEs and Micro Retail), the external provider has set up a master scale of nine classes of creditworthiness for performing borrowers, plus one class for defaulting borrowers. For the Individuals segment, for which the model was introduced and applied for the first time in 2014 and updated in the fourth quarter of 2015, eight rating classes have been established for performing countries, in addition to one class for defaulting counterparties. Each rating class in each segment is associated with a probability of default, estimated by the external supplier on the basis of the average default rates observed in recent periods (calibration on seven years) in the pertinent portfolio, updated annually.

In accordance with the Bank's internal rules and procedures, the rating system is subject to periodic review at the overall level by the Risk Management Service, as part of validation activity for models used for non-regulatory purposes.

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. Additional specific assessments may be launched on the basis of reports/initiatives by dedicated structures, such as the Anomalous Loan Office, which is responsible for monitoring relationship performance, carried out according to a new management model that calls for assignment to portfolios of positions classified to the various management statuses for positions belonging to the various credit risk segments (Enterprise Corporate, SME Corporate, Retail and Individuals) through the application of a new procedure designated the Monitoring Procedure, introduced in the first quarter of 2015. Management statuses are associated with specific actions aimed at preventing the deterioration of positions, including phone collection activity, managed in outsourcing by a specific specialised company for Individual and Retail Enterprise customers.

Within the Lending Area's lending process and IT procedures, new functions have been implemented, allowing potential forborne exposures to be identified, managed and monitored, in accordance with prudential regulations.

In accordance with the new prudential regulations and the Bank's organisational structure, internal control of credit risk is assigned to 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 Bank's loan portfolio. The main information base consists of the data provided by the Central Risks Database, general records database and economic groups database.

Quarterly reports, which are presented to company bodies in accordance with the internal rules and procedures of the internal control system, include in particular:

- ✓ an analysis of the composition and performance of the loan portfolio, with an emphasis on credit quality, including a breakdown of loans into performing and non-performing (past due, probable defaults and bad debts) and a comparison with the industry benchmark; the analysis also includes the transition matrices and the calculation of default rates;
- ✓ the qualitative analysis of risk profiles from a "strategic" standpoint; the application of stress tests on the risk level of the loan portfolio, including in terms of capital requirements;
- ✓ 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 in both ordinary and stress conditions.

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

- ✓ the performance of various classes of risk: composition, changes and comparisons by category and area;

- ✓ the ratings assigned to companies and individuals; portfolio composition; distribution by use; changes of class (deterioration/improvement);
- ✓ the primary exposures by risk class; and
- ✓ uses by sector (ATECO or SAE codes).

The new supervisory regulations concerning internal control systems also require that the Risk Management Function conduct loan performance monitoring, with the aim of verifying:

- ✓ the proper functioning of the loan monitoring model and the proper use of monitoring parameters;
- ✓ the proper classification of exposures (representative of the level of risk) and the proper assessment of valuation inputs (guarantees);
- ✓ the consistency of provisions and the risk profile of the portfolio.

On this basis, and in application of the proportionality principle, as required by regulations, the Credit Risk Management Office began a process aimed at ensuring compliance with legislation. The main activities assigned to the Credit Risk Management Office include:

- ✓ verification of the proper functioning of the credit monitoring model and the proper use of monitoring parameters;
- ✓ the proper classification of exposures (representative of the level of risk) and the proper assessment of valuation inputs (guarantees);
- ✓ the appropriateness of provisions;
- ✓ the adequacy of the recovery process.

Concentration risk

The Risk Management Service within the Credit Risk Management Office is responsible for measuring concentration risk. The approach followed in measuring the concentration risk of the portfolio of loans to customers depends on whether the risk is due to:

- ✓ concentration by individual counterparty or groups of related customers;
- ✓ concentration by common factors (geo-sectoral concentration).

The granularity adjustment approach indicated in prudential supervisory provisions is followed when measuring concentration risk by individual counterparty or group of customers. The method proposed by the Italian Banking Association is followed when measuring geo-sectoral concentration risk. Various analyses are conducted when monitoring concentration risk by individual counterparty or groups of related customers, such as distribution by use bracket and the incidence of the top ten, 20 and 50 performing positions (individual customers or economic groups of performing customers), identified on the basis of the amounts of on-balance sheet loans.

In accordance with the lending process, in addition to observing the limits set by supervisory provisions with respect to large exposures and significant risks, Banca Popolare di Cividale has implemented an internal system of concentration limits on the basis of the values of own funds at the individual and consolidated level.

2.3 Credit risk mitigation techniques

Guarantees are a secondary consideration in the loan approval process. Loan approval continues to be based on the borrower's effective ability to repay the amount of the loan.

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 Bank.

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 Bank 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 Bank 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.

2.4 Non-performing financial assets

Non-performing financial assets are classified according to supervisory regulations into the following classes: exposures past due by more than 90 days, unlikely to pay and bad debts. This new classification scheme was introduced with effect from 1 January 2015 and replaces the previous version, which consisted of the categories of exposures past due by more than 90 days, problem loans, restructured loans and bad debts. With effect from 1 January 2014, Banca Popolare di Cividale adopted an approach by individual borrower for all exposures (the total exposure to a borrower becomes non-performing).

Another change applied in 2015, in accordance with supervisory rules, was the identification of a transversal category within the various risk classes (performing and non-performing) known as "forborne exposures". A forborne exposure is an exposure to which forbearance measures have been applied. Such measures are contractual concessions applied by the Bank to a borrower who is currently experiencing, or about to experience, difficulty in discharging its financial obligations ("financial difficulty").

Monitoring positions classified as unlikely to pay and bad debts is the responsibility of the Problem Loan Office and the Legal and Dispute Service/Dispute Office, respectively.

The competent bodies decide on the reclassification of individual positions as unlikely to pay, normally by the proposal of the Anomalous Loan Office. The amount of provisions to be recognised is also determined during the decision-making process. Likewise, the competent bodies also decide whether to reclassify a loan from the unlikely to pay category to ordinary positions.

Once a loan is classified as unlikely to pay, the decision-making powers of individual loan officers are suspended and any further decision on extending loans rests solely with collegial bodies. Unlikely to pay positions with exposures above the threshold set in the Rules and Procedures for Classifying Positions and Assessing Non-Performing Exposures are managed by the Anomalous Loan Office, which also provides constant support to individual units in managing relationships of limited amounts with regard to the measures to be taken in order to seek to restore the positions to performing status.

The procedure for classifying a position as a bad debt is analogous to that used for managing unlikely to pay exposures. Decisions concerning the amounts of individual provisions, as well as any changes, are made by the competent bodies upon the recommendation of the Legal and Dispute Service and the Dispute Office.

For non-performing positions, the approach is defined in internal rules and procedures and involves the application of the following criteria: 1) for past due positions (past due by more than 90 days, above the materiality threshold) and for unlikely to pay positions with exposure below a predetermined threshold, the assessment is conducted on a lump-sum basis, with the application of two separate models that follow the same principles as that applied to performing positions; 2) for unlikely to pay positions beyond a predetermined threshold and bad debts, according to IAS/IFRS rules, an individual assessment process is conducted and an estimated loss determined for each position.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A. Non-performing and performing positions: stocks, write-downs, changes and distribution by sector and geographical area

A.1.1 Distribution of loan exposures by portfolio and credit quality (carrying amounts)

	Bad loans	Unlikely to pay	Non performing, past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets available for sale	-	-	-	-	1.113.812	1.113.812
2. Financial assets held to maturity	-	-	-	-	32.716	32.716
3. Due from banks	-	-	-	-	40.385	40.385
4. Loans to customers	200.473	177.892	19.678	250.223	2.035.445	2.683.711
5. Financial assets recognized at fair value	-	-	-	-	-	-
6. Financial assets being divested	-	-	-	-	-	-
Total 31/12/2015	**200.473**	**177.892**	**19.678**	**250.223**	**3.222.357**	**3.870.623**
Total 31/12/2014	**162.114**	**141.857**	**13.555**	**246.386**	**3.335.842**	**3.899.753**

Other assets include € 250,223 thousand of exposures past due by one day.

A.1.2 Distribution of loan exposures 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 available for sale	-	-	-	1.113.812	-	1.113.812	1.113.812
2. Financial assets held to maturity	-	-	-	32.716	-	32.716	32.716
3. Due from banks	-	-	-	40.385	-	40.385	40.385
4. Loans to customers	727.486	329.443	398.043	2.302.601	16.934	2.285.667	2.683.711
5. Financial assets recognized at fair value	-	-	-	X	X	-	-
6. Financial assets being divested	-	-	-	-	-	-	-
Total 31/12/2015	**727.486**	**329.443**	**398.043**	**3.489.514**	**16.934**	**3.472.580**	**3.870.623**
Total 31/12/2014	**590.448**	**272.923**	**317.525**	**3.597.212**	**17.794**	**3.582.228**	**3.899.753**

Portfolio/quality	**Assets of evidently low credit quality**		**Other assets**
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	829
2. Hedging derivatives	-	-	-
Total 31/12/2015	-	-	**829**
Total 31/12/2014	-	-	-

A.1.3 On- and off-balance sheet loan exposures to banks: gross and net values and past-due brackets

Type of exposure/value	**Gross exposure**					**Specific writedowns**	**Portfolio writedowns**	**Net exposure**
	Non performing assets				**Performing assets**			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. ON-BALANCE-SHEET EXPOSURES								
a) Bad loans	-	-	-	-	X	-	X	-
- Of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- Of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non performing, past due exposures	-	-	-	-	X	-	X	-
- Of which: forborne exposures	-	-	-	-	X	-	X	-
c) Performing past due exposures	X	X	X	X	-	X	-	-
- Of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	64.777	X	-	64.777
- Of which: forborne exposures	X	X	X	X	-	X	-	-
TOTAL A	-	-	-	-	**64.777**	-	-	**64.777**
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-
a) Non performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	3.722	X	-	3.722
TOTAL B	-	-	-	-	**3.722**	-	-	**3.722**
TOTAL (A+B)	-	-	-	-	**68.498**	-	-	**68.498**

A.1.6 On- and off-balance sheet loan exposures to customers: gross and net values and past-due brackets

Type of exposure/value	Gross exposure					Specific writedowns	Portfolio writedowns	Net exposure
	Non performing assets				Performing assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. ON-BALANCE-SHEET EXPOSURES								
a) Bad loans	-	-	-	473.570	X	273.096	X	200.473
- Of which: forborne exposures	-	-	-	9.448	X	3.244	X	6.203
b) Unlikely to pay	58.781	10.241	49.179	111.890	X	52.199	X	177.892
- Of which: forborne exposures	20.686	1.601	8.752	19.283	X	9.121	X	41.201
c) Non performing, past due exposures	1.308	4.015	10.422	8.080	X	4.148	X	19.678
- Of which: forborne exposures	161	841	1.563	1.688	X	704	X	3.548
c) Performing past due exposures	X	X	X	X	252.168	X	1.945	250.223
- Of which: forborne exposures	X	X	X	X	21.071	X	162	20.909
e) Other performing exposures	X	X	X	X	3.172.635	X	14.989	3.157.646
- Of which: forborne exposures	X	X	X	X	46.781	X	360	46.421
TOTAL A	**60.089**	**14.257**	**59.601**	**593.540**	**3.424.803**	**329.443**	**16.934**	**3.805.912**
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-
a) Non performing	4.239	-	-	-	X	1.154	X	3.085
b) Performing	X	X	X	X	74.242	X	431	73.811
TOTAL B	**4.239**	**-**	**-**	**-**	**74.242**	**1.154**	**431**	**76.896**
TOTAL (A+B)	**64.328**	**14.257**	**59.601**	**593.540**	**3.499.044**	**330.597**	**17.365**	**3.882.808**

A.1.7 On-balance sheet loan exposures to customers: changes in gross impaired positions

	Bad loans	Unlikely to pay	Past due positions
A. Opening gross exposure	**378.343**	**196.145**	**15.960**
- of which: exposures assigned but not derecognized	-	-	-
B. Increases	**122.883**	**128.340**	**22.832**
B.1 from performing positions	12.478	92.813	20.880
B.2 transfers from other categories of impaired positions	66.429	9.234	3
B.3 other increases	43.975	26.293	1.949
- of which: business combinations	34.673	23.262	1.918
C. Decreases	**27.656**	**94.395**	**14.966**
C.1 to performing positions	-	1.148	945
C.2 writeoffs	15.730	-	-
C.3 collections	11.926	29.429	2.172
C.4 assignments	-	-	-
C.5 losses on sale			
C.6 transfers to other categories of impaired positions	-	63.817	11.849
C.7 other decreases	-	-	-
D. Closing gross exposure	**473.570**	**230.090**	**23.826**
- of which: exposures assigned but not derecognized	-	-	-

A.1.7bis On-balance sheet loan exposures to customers: performance of gross forborne exposures by credit quality

	Forborne exposures: non performing	Forborne exposures: performing
A. Opening gross exposure	**31.362**	**54.923**
- of which: exposures assigned but not derecognized	-	-
B. Increases	**46.974**	**48.875**
B.1 from performing positions	20.788	48.864
B.2 transfers from other categories of impaired positions	21.240	-
B.3 transfers from forborne non performing positions	-	-
B.4 other increases	4.945	12
C. Decreases	**14.314**	**35.947**
C.1 to performing positions	-	4.675
C.2 to other categories of performing forborne positions	-	-
C.3 to other categories of non performing forborne positions	-	21.240
C.4 write offs	-	-
C.5 collections	6.050	10.031
C.6 assignments	-	-
C.7 losses on sale	-	-
C.8 other decreases	8.264	-
D. Closing gross exposure	**64.021**	**67.851**

A.1.8 On-balance sheet non-performing loan exposures to customers: changes in total adjustments

Reason/Categories	Bad loans		Unlikely to pay		Past due positions	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Total opening adjustments	**216.229**	**701**	**54.288**	**6.122**	**2.405**	**307**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-
B. Increases	**86.605**	**2.590**	**33.228**	**5.949**	**3.861**	**683**
B.1. writedowns	37.377	2.539	27.322	5.557	3.554	655
B.2. losses on sale	-	-	-	-	-	-
B.3. transfers from other categories of impaired positions	25.710	51	1.392	223	1	1
B.4. other increases	23.519	-	4.514	169	306	28
- of wich: business combinations	9.041	-	3.966	-	147	-
C. Decreases	**29.737**	**47**	**35.318**	**2.950**	**2.118**	**287**
C.1. writebacks from valuations	4.373	47	5.689	2.021	154	7
C.2.writebacks from collection	466	-	4.312	878	179	57
C.3. gains on sale	-	-	-	-	-	-
C.4. writeoffs	24.899	-	-	-	-	-
C.5. transfers to other categories of impaired positions	-	-	25.316	51	1.786	223
C.6. other decreases	-	-	-	-	-	-
D. Total closing adjustments	**273.096**	**3.244**	**52.199**	**9.121**	**4.148**	**703**
- 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

Under the Bank of Italy preparation rules, the table in question has not been compiled since the Bank does not rely on external ratings issued by authorised ratings agencies (ECAIs) for on- and off-balance sheet exposures to customers.

A.2.2 – Distribution of on- and off-balance sheet exposures by internal rating grades

This table has not been compiled since rating models are not used for regulatory purposes. However, they are used as a management tool for classifying and analysing customers for risk management purposes.

A.3 Distribution of secured exposures by type of guarantee

A.3.1 – Secured on-balance sheet loan exposures to banks

Not applicable.

A.3.2. – Secured on-balance sheet loan exposures to customers

	Net exposures	Collateralsi (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature Loans (loans guarantees)				
							Other credit derivatives								
		Property	Financial leasing	Securities	Other assets	C L N	Goverments and Central Banks	Other public entities	Banks	Other entities	Goverments and	Other public entitie	Banks	Other entities	
1. Secured on balance sheet credit exposure	2.137.192	1.564.785	200.910	13.258	86.528	-	-	-	-	-	-	22.041	174	216.845	**2.104.540**
1.1. totally secured	2.069.654	1.563.347	200.910	9.413	84.866	-	-	-	-	-	-	10.381	157	197.222	2.066.296
- of which impaired	347.415	271.884	29.060	773	18.068	-	-	-	-	-	-	162	7	26.687	346.640
1.2. partially secured	67.538	1.439	-	3.845	1.662	-	-	-	-	-	-	11.660	16	19.623	38.244
- of which impaired	16.911	1.349	-	1.051	26	-	-	-	-	-	-	457	1	4.623	7.507
2. Secured off balance sheet credit exposure	29.688	99	-	3.472	5.772	-	-	-	-	-	-	24	-	16.422	24.948
2.1. totally secured	19.311	99	-	2.022	2.933	-	-	-	-	-	-	24	-	14.233	19.311
- of which impaired	954	-	-	50	64	-	-	-	-	-	-	-	-	840	954
2.2. partially secured	10.377	-	-	1.450	2.839	-	-	-	-	-	-	-	-	1.348	5.638
- of which impaired	457	-	-	32	24	-	-	-	-	-	-	-	-	76	132

In accordance with Bank of Italy Circular 262, fourth update, the columns "Collateral" and "Personal guarantees" include the fair value of guarantees, estimated at the reporting date or, in the absence of such information, the contractual value of such guarantees. It should be noted that, in accordance with the above fourth update, contrary to previous years, both values may not exceed the carrying amount of the guaranteed exposures.

B. CREDIT DISTRIBUTION AND CONCENTRATION

B.1 Distribution of on- and off-balance sheet exposures to customers by sector (carrying amounts)

Exposures/Counterparties	Governments			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 loans	-	-	X	-	3	X	2.179	1.522	X	-	-	X	169.347	242.978	X	28.948	28.594	X
- Of which: forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	5.688	2.963	X	515	281	X
A.2. Unlikely to pay	-	-	X	-	-	X	4.832	4.519	X	-	-	X	147.513	42.149	X	25.546	5.531	X
- Of which: forborne exposures	-	-	X	-	-	X	1.393	1.694	X	-	-	X	33.974	6.775	X	5.834	652	X
A.3. Non performing, past due exposures	-	-	X	-	-	X	146	32	X	-	-	X	12.514	2.571	X	7.017	1.545	X
- Of which: forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	2.863	557	X	685	147	X
A.4. Other performing exposures	1.110.794	X	-	6.649	-	52	136.401	X	261	12.431	X	-	1.272.231	X	9.872	869.363	X	6.749
- Of which: forborne exposures	-	-	-	-	-	-	608	-	5	-	-	-	54.576	-	423	12.145	-	94
TOTAL A	1.110.794	-	-	6.649	3	52	143.558	6.073	261	12.431	-	-	1.601.606	287.697	9.872	930.875	35.670	6.749
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	X	-	-	X	-	-	X	-	-	-	1.720	886	X	2	0	X
B.2 Unlikely to pay	-	-	X	-	-	X	-	0	X	-	-	X	1.156	264	X	1	0	X
B.3 Other non performing assets	-	-	X	-	-	X	18	0	X	-	-	X	184	2	X	3	0	X
B.4 Other performing assets	-	X	-	850	X	1	1.037	X	7	-	X	-	59.796	X	401	12.129	X	22
TOTAL	-	-	-	850	-	1	1.055	0	7	-	-	-	62.856	1.153	401	12.136	1	22
TOTAL 31/12/2015	1.110.794	-	-	7.498	3	52	144.613	6.074	268	12.431	-	-	1.664.461	288.850	10.273	943.010	35.670	6.771
TOTAL 31/12/2014	987.104	-	0	11.012	3	68	342.892	4.431	184	13.250	-	-	1.516.231	237.079	10.787	934.943	32.276	7.420

B.2 Distribution of on- and off-balance sheet exposures to customers by geographical area (carrying amounts)

Exposures/Geographical areas	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 loans	199.669	269.708	596	3.317	-	7	-	-	208	64
A.2. Unlikely to pay	177.319	51.609	559	587	0	0	14	3	-	-
A.3. Non performing, past due expos	19.368	4.079	310	68	-	0	-	-	0	0
A.4. Other performing exposures	3.394.554	16.841	12.495	87	212	1	506	4	102	1
TOTAL A	3.790.910	342.237	13.960	4.060	213	8	520	6	310	65
B. OFF-BALANCE-SHEET EXPOSUR	-	-	-	-	-	-	-	-	-	-
B.1 Bad loans	1.722	886	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	1.154	265	4	-	-	-	-	-	-	-
B.3 Other non performing assets	206	3	-	-	-	-	-	-	-	-
B.4 Other performing assets	73.764	431	47	0	-	-	-	-	-	-
TOTAL	76.845	1.584	51	0	-	-	-	-	-	-
TOTAL 31/12/2015	**3.867.755**	**343.822**	**14.011**	**4.061**	**213**	**8**	**520**	**6**	**310**	**65**
TOTAL 31/12/2014	**3.789.930**	**288.222**	**14.293**	**3.945**	**319**	**9**	**571**	**8**	**318**	**65**

Exposures/Geographical areas	Northwest Italy		North east Italy		Italy - Center		South Italy 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 loans	1.432	6.606	190.810	251.711	6.060	9.996	1.368	1.396
A.2. Unlikely to pay	12.268	3.200	161.616	47.946	3.327	384	108	78
A.3. Non performing, past due exposure:	2.038	449	17.327	3.630	2	1	0	0
A.4. Other performing exposures	28.071	218	2.184.907	16.342	1.179.315	264	2.260	18
TOTAL A	43.810	10.472	2.554.659	319.629	1.188.705	10.644	3.737	1.492
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	1.668	880	54	6	-	-
B.2 Unlikely to pay	-	-	1.154	265	-	-	-	-
B.3 Other non performing assets	-	-	206	3	-	-	-	-
B.4 Other performing assets	1.089	8	71.744	416	314	2	617	4
TOTAL	1.089	8	74.772	1.564	368	8	617	4
TOTAL 31/12/2014	1.007	11	93.083	1.495	203	20	449	5

B.3 Distribution of on- and off-balance sheet loan exposures to banks by geographical area (carrying amounts)

Exposures/Geographical areas	ITALY		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 loans	-	-	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3. Non performing, past due exposure	-	-	-	-	-	-	-	-	-	-
A.4. Other performing exposures	59.309	-	4.918	-	479	-	-	-	70	-
TOTAL A	59.309	-	4.918	-	479	-	-	-	70	-
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other performing assets	3.583	-	139	-	-	-	-	-	-	-
TOTAL	3.583	-	139	-	-	-	-	-	-	-
TOTAL 31/12/2015	**62.892**	-	**5.057**	-	**479**	-	-	-	**70**	-
TOTAL 31/12/2014	**171.915**	-	**16.646**	-	**3.485**	-	-	-	**249**	-

Exposures/Geographical areas	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 loans	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-
A.3. Non performing, past due exposures	-	-	-	-	-	-	-	-
A.4. Other performing exposures	47.846	-	549	-	10.635	-	279	-
TOTAL A	47.846	-	549	-	10.635	-	279	-
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other non performing assets	-	-	-	-	-	-	-	-
B.4 Other performing assets	9	-	232	-	3.342	-	-	-
TOTAL B	9	-	232	-	3.342	-	-	-
TOTAL 31/12/2015	**47.855**	-	**781**	-	**13.977**	-	**279**	-
TOTAL 31/12/2014	**13**	-	**223**	-	**3.342**	-	-	-

B.4 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. In particular, as provided for in Regulation EU No 575/2013, and as transposed in Italy by Bank of Italy circulars 154 and 286, the value of the exposure is presented in the financial statements, whereas the weighted value is taken as the value of the exposure after applying credit risk mitigation and the exemptions pursuant to Article 400 of the CRR.

The disclosure drafted in accordance with the new Basel 3 regulations, in effect since 1 January 2014, indicates exposures in excess of the 10% of eligible capital attributable to exposures to the Italian government of € 1,073,485 thousand and exposures to Cassa Compensazione e Garanzia of € 795,132 thousand, with the remainder attributable to exposures to financial counterparties.

	31/12/2015	31/12/2014
Amount - Book value	1.935.530	1.233.018
Amount - Weighted value	66.912	137.136
Number	3	6

C. SECURITISATIONS

QUALITATIVE DISCLOSURES

Securitisation is undertaken with the aim of increasing the liquidity of assets and expanding the pool of financial instruments eligible for refinancing operations with the European Central Bank, or otherwise suited for use as collateral in funding transactions with institutional and market counterparties. In pursuit of medium-/long-term funding needs, such transactions may be structured through the purchase of securities by third parties, resulting in immediate liquid funding. At the reporting date, the following securitisation transactions were ongoing:

- ✓ Civitas Spv Srl – RMBS;
- ✓ Civitas Spv Srl – SME.

The transactions were undertake in accordance with Law 130/1999.

During the year, the multi-originator securitisation undertaken in May 2009 through the vehicle Quadrivio Finance S.r.l. was unwound early through:

a) the repurchase of the residual securitised loans by Banca Popolare di Cividale S.C.p.A, Credito Valtellinese S.C. and Credito Siciliano S.p.A.;
b) the early redemption of the securities;
c) the termination of the securitisation contracts.

The quantitative information presented in this section refers solely to the transaction Civitas Spv Srl – RMBS, inasmuch as the other transaction, Civitas Spv Srl – SME, has the characteristics of a "self-securitisation", meaning that the originating bank subscribed for the total liabilities issued by the vehicle at the time of issue.

With respect to Civitas Spv Srl – RMBS, it should also be noted that in January 2015 the Bank implemented a restructuring process, which was completed through an additional sale of residential mortgage loans and an increase in the securities issued by the vehicle.

Main information	
Date of transaction	February 2012
Special purpose entities	Civitas Spv Srl - RMBS
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
RMBS Restructuring	246 mln
Original aggregate amount of transferred loans and receivables	
of Banca Popolare di Cividale	629 mln
Securities issued and subscribed by Banca Popolare di Cividale	429 mln
of which senior securities a	307 mln
of which junior securities b	122 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Overall residual notional amount of the securities as at 31/12/2015	315 mln
Residual values of loans and receivables as at 31/12/2015	499 mln
Rating of senior securities	AA Standard&poor's - A2 Moody's

Objectives, strategies and processes: the main aim pursued with the two transactions is to ensure balanced structural management of the Bank's liquidity situation, in the context of its company strategy, which has always been closely focused on this aspect. The Bank's role, in addition to that of originator of the transactions and underlying loans, is also that of servicer responsible for all activities relating to relationships with the borrowers, including periodic collection of instalments.

Internal measurement systems: credit risk relating to assets sold in securitisation is retained by the Bank; accordingly, internal risk measurement and control systems are applied in an entirely consistent manner to both securitised and non-securitised assets.

QUANTITATIVE DISCLOSURES

On 19 January 2015 the contractual documentation was signed for the restructuring of Civitas Spv Srl – RMBS, initially finalised in March 2012, involving: (i) the sale without recourse of an additional portfolio of performing loans with a nominal value of € 245,838,901 and (ii) increases of € 214 million and € 34 million, respectively, in the pre-existing senior and junior securities issued in the context of the securitisation undertaken in 2012.

C.1 Exposures deriving from the main "own" securitisation transactions, broken down by type of securitised asset and type of exposure

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES						GUARANTEES ISSUED						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries	Book value	Adjust./recoveries
A. Fully derecognised																		
B. Partly derecognised																		
C. Not derecognised																		
C.1 Civitas Spv Srl																		
Securities issued	192.497				122.300													

With respect to the Civitas Spv Srl - RMBS securitisation, the Bank holds all of the junior securities, whereas the senior securities were partly sold and are currently held by institutional investors.

The amounts indicated in the table refer to the value of the junior and senior securities held by the Bank that would have been presented among assets and liabilities in the balance sheet but are not included since they have been eliminated in application of IAS 39.

C.2 Exposures deriving from the main "third-party" securitisation transactions broken down by type of securitised asset and type of exposures

There is no exposure of this kind for transactions for which the Bank acts as originator.

C.3 Securitisation vehicles

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Civitas Spv Srl	Conegliano Veneto (TV)	Not Consolidated	234.604		20.007	306.600		122.300

C.4 Unconsolidated securitisation vehicles

The Bank does not hold interests in unconsolidated structured entities.

C.5 Servicing activity - own securitisations: collections of securitised loans and redemptions of securities issued by the securitisation vehicle

Not applicable. Neither of the transactions entailed derecognition of the portfolio of transferred loans.

D. STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES (OTHER THAN SECURITISATION VEHICLES)

This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

E. TRANSFERS

A. Financial assets sold but not fully derecognised

E.1. - Financial assets sold but not derecognised: carrying amount and full amount

	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	31/12/15	31/12/14
A. Cash asseets	-	-	-	-	-	-	727.352	-	-	22.250	-	-	-	-	-	-	-	-	749.601	107.734
1. Debt securities	-	-	-	-	-	-	727.352	-	-	22.250	-	-	-	-	-	-	-	-	749.601	107.734
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCIS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	495.883	-	-	495.883	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2015	-	-	-	-	-	-	**727.352**	-	-	**22.250**	-	-	-	-	-	**495.883**	-	-	**1.245.485**	**X**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.940	-	-	9.940	X
Total 31/12/2014	-	-	-	-	-	-	**54.511**	-	-	**53.223**	-	-	-	-	-	-	-	-	**X**	**107.734**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-

A = financial assets sold but fully recognised (carrying amounts). B = financial assets sold but partly recognised (carrying amounts). C = financial assets sold partially recognised (full amount).

E.2 - Financial liabilities associated with financial assets sold but not derecognised: carrying amounts

	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	-	-	727.598	23.748	-	191.961	943.307
a) relating to fully recognised assets	-	-	727.598	23.748	-	191.961	943.307
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from Banks	-	-	-	-	-	-	-
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2015	-	-	**727.598**	**23.748**	-	**191.961**	**943.307**
Total 31/12/2014	-	-	**54.482**	**57.177**	-	-	**111.659**

E.3 – Sales with liabilities subject to recovery solely for the assets sold: fair value

This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

B. Financial assets sold and fully derecognised with recognition of continuing involvement

This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

F. 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 limited in amount. The Bank does not have positions in structured credit products or derivative contracts. 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 Bank'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 Bank's credit policies, focused on retail customers, financing activity is essentially aimed at protecting the overall financial balance of the Bank. Investment and trading activity is conducted in accordance with the guidelines established at the relevant Bank 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 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. Regulatory 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	-	-	114	0	114	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	114	0	114	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	-	-	(1)	-	81	(0)	-	-
3.1 With underlying security	-	-	-	-	82	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	82	-	-	-
+ long positions	-	-	-	-	163	-	-	-
+ short positions	-	-	-	-	81	-	-	-
3.2 Without underlying security	-	-	(1)	-	(1)	(0)	-	-
- Options	-	-	(1)	-	(1)	(0)	-	-
+ long positions	38	76	578	99	578	463	99	-
+ short positions	38	76	578	99	578	463	99	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	6.493	2.066	1.274	2.066	2.308	1.274	-
+ short positions	-	6.493	2.066	1.274	2.066	2.308	1.274	-

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	-	(2)	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	(2)	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. 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	-	-	-	-	-	-	-	-

Among "other currencies," the main currency of denomination of the trading portfolio is the U.S. dollar.
The portfolio's sensitivity to changes in interest rates is very limited (the modified duration of the bond component is 1.2).

2. Regulatory trading book: distribution of exposures in equities and equity indices by main country of listing

	Listed			Unlisted
	Italy	USA	Other	
A. Equity instruments				
+ long positions			391	
+ 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 entirely of 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 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 capital 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) a parallel shift in the interest rate structure of ± 200 basis points; b) the flattening of the interest rate maturity curve (in event of a positively inclined rate curve, an increase in short-term rates and a decrease in medium-/long-term rates, c) the steepening of the interest rate maturity curve (in the event of a positive inclined rate curve, a decrease in short-term rates and an increase in medium-/long-term rates).

The changes are then normalised in relation to own funds.

B. Fair-value hedging

Interest-rate risk hedging activity through OTC derivative financial instruments was entirely discontinued in December 2012 and 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								
1.1 Debt securities	-	16.211	473.955	94.196	561.928	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	16.211	473.955	94.196	561.928	-	-	-
1.2 Loans to banks	28.724	5.406	-	-	2.061	2.061	-	-
1.3 Loans to customers	421.024	1.556.372	340.973	76.411	182.223	50.515	54.862	-
- current acct.	320.389	38.150	7.013	15.722	24.935	-	470	-
- other loans	100.634	1.518.222	333.960	60.689	157.288	50.515	54.391	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	100.634	1.518.222	333.960	60.689	157.288	50.515	54.391	-
2. Liabilities								
2.1 Due to customers	1.582.337	956.236	58.433	91.717	130.670	-	-	-
- current acct.	1.520.692	86.653	29.876	37.152	130.670	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	61.645	869.583	28.557	54.565	-	-	-	-
2.2 Due to banks	6.415	325.679	18.562	2.932	25.843	26.665	235	-
- current acct.	2.079	-	-	-	-	-	-	-
- other payables	4.336	325.679	18.562	2.932	25.843	26.665	235	-
2.3 Debt securities	24.819	152.893	49.268	62.029	186.720	-	-	-
- with early redemption option	-	-	30	-	-	-	-	-
- other	24.819	152.893	49.239	62.029	186.720	-	-	-
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	-	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-	-
+ long positions	15	1.316	71	911	241	188	-	-
+ short positions	2.750	-	-	-	-	-	-	-

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 years	more than 10 years	unspecified maturity
1. Assets								
1.1 Debt securities	-	-	1.238	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	1.238	-	-	-	-	-
1.2 Loans to banks	1.134	-	-	-	-	-	-	-
1.3 Loans to customers	1	1.331	0	-	-	-	-	-
- current acct.	1	-	0	-	-	-	-	-
- other loans	-	1.331	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	1.331	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	27.148	125	108	-	-	-	-	-
- current acct.	27.148	125	108	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	89	-	-	-	-	-	-	-
- current acct.	27	-	-	-	-	-	-	-
- other payables	61	-	-	-	-	-	-	-
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 Part One, Title III, Chapter 1 of Bank of Italy Circular No. 285/2013, in effect from 1 January 2014.

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. The internal capital for interest rate risk, calculated according to the procedure indicated by the supervisory authority, is therefore equal to zero. The exposure is consistent with an exposure for Banca Popolare di Cividale S.C.p.A. below the limits established by internal and regulatory provisions.

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, exchange-rate 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 Bank 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	-	**1.631**	**1.672**	**244**	**1**	**155**
A.1 Debt securities	-	-	1.238	-	-	-
A.2 Equity securities	-	0	-	-	-	-
A.3 Loans to banks	-	531	434	25	1	143
A.4 Loans to customers	-	1.100	0	219	-	12
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	**174**	**187**	**146**	**8**	**79**
C. Financial liabilities	-	**24.970**	**1.471**	**802**	**113**	**114**
C.1 Due to banks	-	22	46	21	-	0
C.2 Due to customers	-	24.948	1.425	781	113	114
C.3 Due to customers	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other	-	-	-	-	-	-
+ Long positions	-	26.685	41	417	104	-
+ Short positions	-	3.019	15	-	-	534
Total assets	-	**28.490**	**1.900**	**806**	**113**	**234**
Total liabilities	-	**27.988**	**1.486**	**802**	**113**	**648**
Difference (+/–)	-	**501**	**415**	**4**	**0**	**(413)**

2.4 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: end-period notional amounts

	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-	-	-	-
a) Options	19.985	-	23.439	-
b) Swaps	12.517	-	13.420	-
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	25.668	-	29.317	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
TOTAL	**58.170**	**-**	**66.176**	**-**

A.2 Banking book: end-period and average notional amounts

This item is not applicable to the financial statements of Banca Popolare di Cividale S.C.p.A.

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

	Positive Fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	31	-	33	-
b) Interest rate swaps	614	-	735	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	119	-	591	-
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	764	-	1.358	-

A.4 Financial derivatives: gross negative fair value – distribution by product

	Negative Fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	-	-	-	-
a) Options	31	-	33	-
b) Interest rate swaps	632	-	756	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	77	-	247	-
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	740	-	1.036	-

A.5 OTC financial derivatives - regulatory trading book: notional amounts, 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	-	**7.880**	**16.914**	-	-	**9.015**	-
- notional amount	-	7.647	16.251	-	-	8.604	-
- positive fair value	-	233	31	-	-	380	-
- negative fair value	-	-	632	-	-	31	-
- future exposure	-	47	175	-	-	21	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	-	**24.463**	-	-	**1.065**	**336**
- notional amount	-	-	24.283	-	-	1.056	329
- positive fair value	-	-	117	-	-	0	2
- negative fair value	-	-	63	-	-	8	5
- future exposure	-	-	-	-	-	11	3
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives - regulatory trading book: notional amounts, gross positive and negative fair values by counterparty – contracts based on netting arrangements

Contracts 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	-	3.824	38.281	-	-	8.604	-
- positive fair value	-	233	155	-	-	380	-
- negative fair value	-	-	691	-	-	58	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives - banking book: notional amounts, gross positive and negative fair values by counterparty – contracts not based on netting arrangements

Not applicable.

A.8 OTC financial derivatives - banking book: notional amounts, gross positive and negative fair values by counterparty – contracts based on netting arrangements

Not applicable.

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**30.197**	**8.291**	**19.682**	**58.170**
A.1 Financial derivatives on debt securities and interest rates	4.529	8.291	19.682	32.502
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	25.668	-	-	25.668
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 31/12/2015	**30.197**	**8.291**	**19.682**	**58.170**
Total 31/12/2014	**33.674**	**10.598**	**21.904**	**66.176**

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" is defined as the risk that the Bank will be unable to discharge its payment obligations at maturity (funding liquidity risk) or that there will be 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.

The process of containing exposure to liquidity risk, which aims to ensure the Bank'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:

- ✓ constant monitoring of the 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 Bank intends to maintain high 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 Bank'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 and the RAF.

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 Bank'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.
The Bank also monitors the liquidity indicators Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) on the basis of the reporting data periodically produced for supervisory purposes.

QUANTITATIVE DISCLOSURES

1. Distribution of financial assets and liabilities by residual contractual 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	-	-	-	-	4.608	8.486	229.086	723.542	120.000	-
A.2 Other debt securities	-	-	-	35	1.920	206	3.226	24.501	8.388	-
A.4 Units in collective investment undertakings	16.066	-	-	-	-	-	-	-	-	-
A.5 Loans	403.294	5.375	11.462	34.759	133.226	100.598	169.658	789.618	1.138.514	5.406
- banks	21.721	-	-	1	0	1	1	2.000	2.000	5.406
- customers	381.573	5.375	11.462	34.758	133.226	100.597	169.657	787.618	1.136.514	-
On-balance-sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits	1.551.963	2.210	13.912	20.648	51.948	30.683	39.239	129.762	-	-
- banks	6.414	-	-	-	-	-	-	-	-	-
- customers	1.545.549	2.210	13.912	20.648	51.948	30.683	39.239	129.762	-	-
B.2 Debt securities	33	324	23.295	14.796	46.487	12.860	71.765	302.426	7.240	-
B.3 Other liabilities	36.128	311.438	367.374	8.013	192.301	41.673	82.854	273.583	104.794	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of capita	-	5.603	11.454	13.517	486	-	9	270	-	-
- long positions	-	1.783	1.441	119	312	-	9	190	-	-
- short positions	-	3.820	10.013	13.398	174	-	-	80	-	-
C.2 Financial derivatives without exchange of cap	6.378	-	-	-	-	-	-	-	-	-
- long positions	3.180	-	-	-	-	-	-	-	-	-
- short positions	3.198	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	1.691	1.000	-	-	438	598	1.138	438	196	-
- long positions	75	500	-	-	0	411	1.129	438	196	-
- short positions	1.615	500	-	-	438	188	8	-	-	-
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	-	-	-	-	-	-	-	-	-	-

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	-	-	-	1.239	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.5 Loans	1.135	-	221	540	582	-	-	-	-	-
- banks	1.134	-	-	-	-	-	-	-	-	-
- customers	1	-	221	540	582	-	-	-	-	-
On-balance-sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits	27.175	-	-	72	54	108	-	-	-	-
- banks	27	-	-	-	-	-	-	-	-	-
- customers	27.148	-	-	72	54	108	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	61	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	5.312	11.556	13.458	487	-	-	-	-	-
- long positions	-	3.602	10.104	13.367	175	-	-	-	-	-
- short positions	-	1.711	1.453	92	312	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Securitisation

Within the framework of the various measures aimed at enhancing coverage of exposure to liquidity risk, the Bank has undertaken securitisation transactions with the goal of increasing the 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 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	February 2012
Special purpose entities	Civitas Spv Srl - RMBS
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
RMBS Restructuring	246 mln
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale	629 mln
Securities issued and subscribed by Banca Popolare di Cividale	429 mln
of which senior securities a	307 mln
of which junior securities b	122 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Overall residual notional amount of the securities as at 31/12/2015	315 mln
Residual values of loans and receivables as at 31/12/2015	499 mln
Rating of senior securities	AA Standard&poor's - A2 Moody's

Main information	
Date of transaction	July 2012
Special purpose entities	Civitas Spv Srl - SME
Subject matter of the transaction	commercial mortgages
Banks/ Originator groups	Banca Popolare di Cividale Group
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale	410 mln
Securities issued and subscribed by Banca Popolare di Cividale	418 mln
of which senior securities a	273 mln
of which junior securities b	145 mln
Rating of senior securities	A+ Standard&poor's - AL DBRS
Overall residual notional amount of the securities as at 31/12/2015	249 mln
Residual values of loans and receivables as at 31/12/2015	250 mln
Rating of senior securities	A+ Standard&poor's - AL DBRS

The asset-backed securities currently in issue have been fully subscribed for by the originating bank, without any transfer of 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.

SECTION 4 - OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

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 information technology 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 Bank does not wish to retain through insurance contracts.

The Bank adopts the basic method (BIA – Basic Indicator Approach) specified by regulations to determine prudential capital requirements.

Operational risk management is subject to specific rules and procedures that establish the roles, responsibilities and duties of the various company bodies, functions and units and specify the operational risk management process. A specific indicator for monitoring operational risk was identified as part of drawing up the Risk Appetite Framework.

Through the Operational and Financial Risks Office, the Risk Management Service is responsible for measuring and assessing operational risk. 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 operating loss data: the main component in the construction of an operational risk management system;
- ✓ external operating 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 Bank participates in this Database, and 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.

Some types of operational risk are mitigated using appropriate insurance contracts. In addition, the Bank 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

Appropriate provisions are recognised in accordance with international accounting standards to account for financial risks associated with legal proceedings involving the Bank. The amount of such provisions is estimated on the basis of multiple factors, primarily relating to the expected outcome of the suit, and, in particular, the probability of an unfavourable outcome to the proceedings resulting in an adverse judgment for the Bank, and on the basis of factors useful in quantifying the amount that the Bank might be required to pay the counterparty in the event of an adverse judgment.

For each position, the projected outcome of the suit (risk of an adverse judgment) contemplates the legal issues at stake in the proceedings, assessed in the light of case law, the evidence produced in the course of the proceedings and the status of the trial, and, on appeal, the outcome of the proceedings of the first instance, past experience and all other useful elements, including experts' opinions, that allow the foreseeable development of the dispute to be taken adequately into account.

The amount due in the event of an adverse outcome is expressed in absolute terms and includes the value estimated on the basis of the status of the proceedings, considering the amount requested by the counterparty, the technical estimate prepared internally on the basis of accounting evidence and/or evidence brought to light during the trial and, in particular, the amounted estimated by the court-appointed technical expert, where appointed, in addition to legal interest, calculated on the principal from the date of service of the introductory document, and any expenses to be reimbursed in the event of an adverse judgment.

Where it is not possible to determine a reliable estimate (the claimant has not quantified its compensation claim, or there are legal or factual uncertainties that would render any estimate unreliable), provisions are not recognised until it is possible to predict the outcome of the trial and arrive at a reliable estimate of the amount of the loss, if any.

At 31 December 2015, the Bank was defendant in 30 suits seeking a total of € 8,021 thousand, for which a total expected loss of € 3,960 has been estimated.

Most suits involve claims for compensation due to anatocism and bankruptcy claw-back, as well as indemnity claims for losses on investments in financial instruments and other types of compensation claims (amounts in thousands of euro):

	N° of disputes	Petitum	Provision
Investment services	3	645	187
Disputes concerning interest in excess of the legal limit	10	764	222
Revocatory disputes	9	2.097	1.310
Other disputes	8	4.516	2.241
Total	**30**	**8.021**	**3.960**

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.

C. Information and communication technology (ICT) risk

ICT risk is the risk of suffering economic losses, harm to reputation or loss of market share due to the use of information and communication (ICT) technology. The analysis of information and communication technology risk represents a tool aimed at ensuring the effectiveness and efficiency of the protective measures for ICT resources and is governed by the ICT function's control policy, approved and aligned with the applicable provisions of Bank of Italy Circular 285 of 17 December 2013 in 2015. That document sets out the organisational, methodological and procedural structure for the process of analysing ICT risk and establishes the IT Outsourcing liaison function, which it assigns to the Head of Human Resources. It should be noted that Banca Popolare di Cividale has decided to adopt fully outsourced management of the ICT system and thus that the analysis of risk is conducted on a priority basis by the supplier according to the policies implemented by the supplier.

SECTION 5 - OTHER RISKS

In addition to the risks described above, the Bank is exposed to the following other material 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.

Prudential regulations establish that banks are to monitor the level and changes of their leverage ratios (a regulatory parameter), and the risk associated with leverage, as part of their Internal Capital Adequacy Assessment Process (ICAAP).

The process of managing leverage risk is defined and formalised in a specific Regulation, approved by the Board of Directors, and risk appetite is monitored quarterly by the Risk Management Service in the context of the Risk Appetite Framework (RAF).

At 31 December 2015 the leverage indicator was above the minimum threshold established in supervisory regulations.

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 sovereign risk exposure profile is assessed by also considering the impact of such risk on the value of the Bank's portfolio and own funds.

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.

Title IV of Bank of Italy Circular 285 of 17 December 2013 provides indications of a general nature concerning corporate governance, establishes the framework in which to carry out the strategic planning process and emphasises the strategic nature of the Internal Control System and its necessary integration into the risk objective system (the Risk Appetite Framework or RAF), business model and strategic plan. On the basis of these principles and regulations, Banca Popolare di Cividale drafted its Regulation concerning strategic planning and strategic risk management.

Compliance risk

Compliance risk is the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes).

Under the new supervisory provisions concerning the internal control system, the role of supervising compliance has been extended to all rules and procedures concerning company activity, though with different levels of commitment for the traditional, directly applicable areas and other specialist areas, such as taxation, for which there are other forms of supervision and where the function is nonetheless tasked with assessing the suitability of such supervision.

In 2014 the Compliance function launched various audit processes concerning forms of specialised supervision, and specifically the adequacy of supervision and procedures aimed at preventing the risk of non-compliance extended to the following areas:

- ✓ tax law (bank side and customer side);
- ✓ privacy;
- ✓ workplace health and safety;
- ✓ market abuse;
- ✓ supervisory reporting; and
- ✓ Legislative Decree No. 231/01.

Considering the extent of compliance risk, the many factors that gave risk to it and its significant implications for various company processes, the Bank has a high level of exposure to this type of risk.

The Compliance Service also includes the Anti-Money Laundering function, which is responsible for the anti-money laundering compliance activities provided for in the order of the supervisory authority of 10 March 2011, in addition to providing support to the head of the Anti-Money Laundering Service with the process of reviewing suspect transaction reports.

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 defined as "the current or prospective risk of a decline in operating result or capital should customers, counterparties, shareholders of the Bank, investors or supervisors take a negative view of the Bank." Due to its nature, this risk is not easily measurable. However, for management purposes, it may be subject to qualitative observation, assessment and mitigation processes. Consequently, management of this type of risk is based on a qualitative assessment aimed at directing the necessary prevention, mitigation and management actions. In addition to company bodies, all organisational units of both a business and operational support nature are involved in the process of managing reputation risk, each to the extent of its competence.

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 internal stakeholders (employees, directors, etc.). The system has been given explicit form in a Code of Ethics. The task of supervising compliance with the provisions of that Code is entrusted to the Legislative Decree 231/2001 Supervisory Board Control Committee. The internal rules and procedures concerning reputational risk were drawn up and approved by the Board of Directors as part of the activities aimed at achieving compliance with the new supervisory provisions.

Reputation is constantly monitored, protected and developed, also in light of the recent events affecting the entire banking industry.

Residual risk

Residual risk is the risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected. For a more thorough discussion of residual risk, refer to the technical section concerning risk mitigation.

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
This is the current or prospective risk of potential losses due to fluctuations in the value of the proprietary real-estate portfolio, or to the reduction of the income generated by that portfolio.
The Bank assumes property risk to a very limited extent for investment purposes and to protect its credit claims. Property, plant and equipment represent a very limited share of total assets. In particular, the property portfolio (land and buildings) owned by the Bank represents almost all of its property, plant and equipment and is primarily of a non-investment nature.
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. Management of real-estate assets is entrusted to the structures of the Bank dedicated to this activity.

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 Bank 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

	31/12/2015	31/12/2014	%
Share capital	50.913	50.913	0,00%
Share premium reserve	167.022	167.022	0,00%
Reserves	48.274	42.922	12,47%
- Retained earnings:	48.274	42.922	12,47%
a) legal reserve	19.788	19.208	3,02%
b) statutory reserve	27.501	22.279	23,44%
c) treasury shares	-	-	-
d) other	985	1.435	-31,40%
- other	-	-	-
4. Equity instruments	-	-	-
5. (Treasury shares)	-	-	-
6. Valuation reserves:	23.308	11.126	109,49%
- Financial assets available for sale	23.624	11.522	105,03%
- 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	(315)	(396)	20,36%
- Share of valuation reserves connected with investments carried at equity	-	-	-
- Legally-required revaluations	-	-	-
7. Net income (loss)	24.053	5.803	314,49%
Total	313.570	277.786	12,88%

B.2 Valuation reserves for financial assets available for sale: composition

	31/12/2015		31/12/2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	13.541	-	13.605	-
2. Equities	10.144	-	-	(1.015)
3. Quotas of UCI	-	(62)	-	(1.068)
4. Loans	-	-	-	-
Total	**23.685**	**(62)**	**13.605**	**(2.083)**

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

	Debts securities	Equities	Quotas of UCI	Loans
1. Opening balance	**13.605**	**(1.015)**	**(1.068)**	-
2. Positive fair value differences	**13.777**	**11.824**	**1.567**	-
2.1. Fair value increases	7.252	10.796	-	-
2.2 Reversal to the income statement of negative reserves	-	-	-	-
- impairment	-	1.028	1.527	-
- disposal	19	-	-	-
2.3 Other changes	6.506	-	40	-
3. Negative fair value differences	**13.841**	**665**	**561**	-
3.1 Fair value decreases	2.199	-	10	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	5.166	-	33	-
3.4 Other changes	6.476	665	518	-
4. Closing balance	**13.541**	**10.144**	**(62)**	-

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

Valuation reserves related to actuarial gains (losses) on defined-benefit plans amounted to -€ 315 thousand, up from -€ 396 thousand compared to the end of 2014.

Section 2 – Own funds and regulatory ratios

Scope of application of regulations

The new prudential provisions governing banks and investment companies laid down in Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) and Directive 2013/36/EU (Capital Requirements Directive, CRD IV), approved on 26 June 2013, transposing into the European Union the standards established by the Basel Committee on Banking Supervision (the "Basel 3 Framework"), entered into effect on 1 January 2014. As part of an overall process of revising and simplifying its prudential provisions for banks, the Bank of Italy published Circular 285, Prudential Supervisory Provisions for Banks, which replaced the previous Circular 263 of 27 December 2006 almost entirely, implementing the new Community provisions and introducing supervisory rules concerning unharmonised aspects at the EU level, and Circular 286, Instructions for the Preparation of Prudential Reports for Banks and Securities Brokerage Firms, which replaces the previous Circular 155 and the update to Circular 154 in their entirety.

Financial institutions must observe the following minimum ratio requirements with effect from 1 January 2014:

- ✓ a CET1 ratio of 4.5%;
- ✓ tier 1 ratio of 6%;
- ✓ a total capital ratio of 8%.

In addition to these binding minimum levels according to the Regulation, there is also the minimum requirement of 0.9% determined at the conclusion of the periodic prudential assessment process (SREP) announced on 23/12/2015, raising the minimum levels to:

- ✓ a CET1 ratio of 5.4%;
- ✓ a Tier 1 ratio of 6.9%;
- ✓ a Total Capital ratio of 8.9%.

The following CET1 buffers apply to the above binding requirements:

- ✓ with effect from 1 January 2014, a capital conservation buffer of 2.5%;
- ✓ with effect from 2016, the countercyclical buffer in periods of excess credit growth and the systemic risk buffer for global systemically important institutions or other systemically important institutions (G-SII or O-SII) (equal to zero for the first quarter of 2016).

The sum of the regulatory requirements and additional buffers result in a minimum capital level for the Bank of:

- ✓ a CET1 ratio of 7.0%;
- ✓ a Tier 1 ratio of 8.5%;
- ✓ a Total Capital ratio of 10.5%.

Failure to satisfy the minimum requirements (combined requirements) results in limitations on the distribution of profits and the need to adopt a capital conservation plan.

At 31 December 2015, own funds have been calculated by applying the new regulations mentioned above. However, those regulations provide for transitional rules, generally until 2017, under which the new regulatory framework is to be applied gradually, through a transitional period in which certain elements are deductible or eligible for inclusion in common equity tier 1 capital in a certain percentage only, whereas the residual percentage not applicable is included in or deducted from additional tier 1 capital or tier 2 capital, or considered among risk-weighted assets. This transitional system also applies to certain subordinated instruments that do not satisfy the requirements established by the new regulatory provisions, aimed at gradually excluding instruments no longer eligible from own funds (over a period of eight years).

In accordance with the supervisory instructions, the overall amount and composition of own funds differ from the amount and composition of statutory shareholders' equity. The following is a brief account of the main differences:

- ✓ own funds include only the share of profit, net of all expenses and foreseeable dividends; before reaching a formal decision to confirm the final profit or loss result for the year for the entity for the year of reference, banks may only include their annual profits in their common equity tier 1 capital if they have obtained prior permission from the competent authority. Such permission requires that profits be verified by the independent persons responsible for auditing the accounts;
- ✓ goodwill is deducted from common equity tier 1 capital. Goodwill also includes the "positive equity differences" incorporated in the carrying amounts of equity investments in companies subject to significant influence and measured according to the equity method, other intangible assets and the assets of defined-benefit pension funds included in the entity's balance sheet, net of the associated deferred tax liabilities;
- ✓ unrealised gains or losses relating to exposures to central governments classified as financial assets available for sale are not included in any element of own funds. The neutralisation option provided for in Article 467 of the CRR has also been confirmed in Chapter 14 of the new Circular 285 concerning transitional provisions governing own funds, and this treatment will apply until the Commission adopts a regulation approving the international financial reporting standard replacing IAS 39;
- ✓ At 31 December 2015 the AFS reserve relating to securities issued by the central governments of European Union Member States fully neutralises the gains of € 12.6 million (compared to € 13.1 million at 31 December 2014).
- ✓ significant investments in a financial sector entity, the net tax assets deriving from temporary differences and dependent on future profitability, and non-significant investments in financial sector entities are deducted from the elements of CET1 if they exceed certain CET1 levels provided for in Regulation 575/2013;
- ✓ tier 2 capital includes subordinated loans, which must have an original term to maturity of at least five years and may only be redeemed or repaid early only if the entity requests the prior authorisation of the competent authority, and no earlier than five years from the date of issuance, unless the bank replaces the instruments in question with other own funds instruments of equal or greater quality, under sustainable conditions in terms of the entity's income-generating capacity, and the bank demonstrates to the competent authority's full satisfaction that the minimum capital requirements imposed by the regulations have been observed.

2.1 Own funds

A. Qualitative disclosures

The components of own funds are:

- ✓ common equity tier 1 (CET1) capital;
- ✓ additional tier 1 (AT1) capital; and
- ✓ tier 2 (T2) capital.

CET1 and AT1 make up total tier 1 capital, which, along with tier 2 capital, comprises total own funds.

1. Common equity tier 1 (CET1) capital

Total common equity tier 1 (CET1) capital, calculated considering the net income allocated to reserves at 31 December 2015, amounted to € 279,435 thousand. The changes in CET1 capital compared to 31/12/2014 may be attributed to the significant increase in capital reserves resulting from the sale of the interest in ICBPI and the concurrent decrease of deductions on insignificant investments in the financial sector, which fell below the deduction threshold.

The main CET1 instruments include:

- ✓ capital instruments of € 50,913 thousand;
- ✓ own common equity capital instruments, or common equity instruments for which the Bank has a real purchase obligation, of € 1,387 thousand;
- ✓ share premium reserves of € 167,021 thousand;
- ✓ the net income for the year allocated to reserves of € 18,712 thousand;
- ✓ other reserves of € 48,274 thousand;
- ✓ other comprehensive income attributable to reserves on securities available for sale of € 23,623 thousand.

deductions include goodwill, net of the associated tax liabilities, of € 7,929 thousand, other intangible assets of € 231 and assets of defined-benefit pension funds of € 315 thousand. The significant investments in Common Equity Tier 1 instruments of financial sector entities and tax assets derived from temporary differences and dependent on future profitability are far below the established limits. Non-significant investments in the Common Equity Tier 1 instruments of financial sector entities do not exceed the deductible limit.

With respect to the transitional rules, the item in question includes the following adjustments:

- ✓ the negative filter relating to unrealised gains on available-for-sale securities of € 6,622 thousand;
- ✓ the negative filter relating to the neutralisation of the AFS reserve on securities issued by the central governments of European Union Member States of € 12,586 thousand;
- ✓ the negative filter for other filters and deductions of € 37 thousand.

2. Additional tier 1 (AT1) capital

At 31 December 2015, Banca Popolare di Cividale S.C.p.A. had not issued any AT1 instruments.

3. Tier 2 (T2) capital

Considering the effects of the transitional regime, Tier 2 capital amounted to € 34,792 thousand, of which € 31,462 was represented by eligible subordinated liabilities and the remainder by positive reserves on AFS securities other than government securities.

In particular, it should be remarked that:

- ✓ the notional amortisation of the loans was calculated daily, in accordance with the provisions of Regulation EU No 575/2013;
- ✓ the subordinated instruments with amortisation clauses eligible for inclusion in accordance with the transitional rules issued by Banca Popolare di Cividale S.C.p.A. are subject to the grandfathering clause for capital instruments that do not constitute state aid, according to which such instruments are 70% eligible for inclusion in own funds in 2015, resulting in the amount of € 13,824 thousand.

With respect to the transitional rules, the item in question includes the following adjustments:

- ✓ the positive filter relating to unrealised gains on available-for-sale securities of € 3,330 thousand;

With specific regard to this component of regulatory capital, the following is the list of the subordinated liabilities issued by Banca Popolare di Cividale and included in tier 2 capital.

Issuer	Identification Number	Interest rate	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital
Banca Popolare di Cividale Scpa	IT0004271059	Floating rate euribor 3m + 0,45%	13/08/2007	13/08/2017	13/08/2013	Euro	S	40.000.000	9.062.432
Banca Popolare di Cividale Scpa	IT0004352917	Floating rate euribor 3m + 0,35%	07/04/2008	07/04/2018	07/04/2014	Euro	S	15.000.000	4.761.227
Banca Popolare di Cividale Scpa	IT0005072852	Fixed rate 2,75%	19/12/2014	19/12/2019		Euro	N	22.350.000	17.735.570
Total								**77.350.000**	**31.559.228**

B. Quantitative disclosures

	31/12/2015	31/12/2014	%
A. Tier 1 capital before the application of prudential filters	**307.157**	**274.411**	**11,9%**
B. Tier 1 capital prudential filters:	-	-	**0,0%**
- positive IAS/IFRS prudential filters (+)	-	-	-
- negative IAS/IFRS prudential filters (-)	307.157	274.411	11,9%
C. Tier 1 capital after prudential filters (A+B)	(8.476)	(37.363)	-77,3%
D. Elements to deduct from Tier 1 capital	(19.246)	**(4.557)**	**322,3%**
E. Total Tier 1 capital (C-D)	279.435	232.491	20,2%
F. Tier 2 capital before the application of prudential filters	-	-	-
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)	-	-	-
I. Elements to deduct from Tier 2 capital	**31.559**	**25.219**	25,1%
L. Total Tier 2 capital (H-I)	13.824	24.594	-43,8%
M. Elements to deduct from Tier 1 and Tier 2 capital	**(97)**	**(2.321)**	**-95,8%**
N. Regulatory capital (E+L-M)	3.330	(8.658)	-138,5%
O. Tier 3 capital	34.792	**14.240**	**144,3%**
P. Regulatory capital included Tier 3 (N+O)	**314.227**	**246.731**	**27,4%**

2.2 Capital adequacy

A. Qualitative disclosures

As at 31/12/2015, the ratio of common equity tier 1 capital to risk-weighted assets stood at 13.0%, the ratio of tier 1 capital to risk-weighted assets at 13.0% and the ratio of own funds to risk-weighted at 14.6%. Both values comply with the limits established by the supervisory regulations cited in the previous section.

In determining its capital requirements for credit risk, the Bank uses the standardised approach. This method involves separating exposures into different classes (portfolios) according to the nature of the counterparty or the technical characteristics of the transaction or the manner in which it is carried out and the application of different risk weights to each portfolio.

For the Bank, the most significant segments are as follows: exposures to or guaranteed by central governments and central banks, exposures to or guaranteed by businesses, exposures guaranteed by real properties and retail exposures. In this regard, it should be noted that in accordance with Regulation (EU) No 575/2013, different weighting coefficients are applied to each class of exposures in relation to the various levels of risk identified in supervisory regulations.

The new regulations for the prudential supervision of banks permit financial institutions to determine the weighting coefficients for calculating the capital requirement for credit risk under the standardised approach based on credit assessments by third-party rating agencies (External Credit Assessment Institutions or ECAIs) recognised by the Bank of Italy. For the Bank, the agency DBRS was used for the following portfolios with effect from April 2013:

- ✓ exposures to or guaranteed by central governments and banks;
- ✓ exposures to or guaranteed by international organisations;
- ✓ exposures to or guaranteed by multilateral development banks.

To determine its capital requirement for market risk, the Bank has elected to use the standardised approach, while the basic indicator approach has been used for operational risk.

B. Quantitative disclosures

	Unweighted amounts		Weighted amounts / requirements	
	31/12/15	31/12/14	31/12/15	31/12/14
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**5.543.084**	***4.945.886***	**1.965.342**	***2.188.930***
1. Standard methodology	5.543.084	*4.945.886*	1.965.342	*2.188.930*
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS			-	-
B.1 CREDIT AND COUNTERPARTY RISK			157.227	150.696
B.2 CREDIT VALUATION ADJUSTMENT RISK			72	95
B.3 SETTLEMENT RISK			-	-
B.4 MARKET RISK			94	112
1. Standard methodology			94	112
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			14.668	11.754
1. Base methodology			14.668	11.754
2. Standard methodology			-	-
3. Advanced methodology			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			172.061	162.657
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2.150.765	2.033.207
C.2 Common Equity Tier 1 / Risk-weighted assets (CET 1 capital ratio)			13,0%	11,4%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			13,0%	11,4%
C.4 Total own funds / Risk weighted assets (Total capital ratio)			14,6%	12,1%

At 31 December 2015 risk-weighted assets amounted to € 2,151 million, compared to € 2,033 million at 31 December 2014.

Chapter G – BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CONDUCTED DURING THE YEAR

1.1 Business combinations

The year saw the conclusion of the corporate reorganisation and simplification project launched in 2013 with the merger of Banca Popolare di Cividale S.p.A. into NordestBanca S.p.A. and also involved the merger of Tabogan S.r.l. and Civileasing S.p.A. into Banca Popolare di Cividale S.C.p.A.

1. The merger with Tabogan S.r.l., finalised on 9 April 2015 with the execution of the merger agreement, was authorised by the Bank of Italy on 15 December 2014 and approved by the general meeting of Tabogan S.r.l. on 6 March 2015 and by the Board of Directors of Banca Popolare di Cividale pursuant to Art. 38 of the Articles of Association on 18 March 2015; the merger agreement entered into effect on 15 April 2016.
2. The merger with Civileasing S.p.A. was finalised on 11 December 2015 with the execution of merger agreement, was authorised by the Bank of Italy on 4 November 2015 and was approved by the general meeting of Civileasing S.p.A. on 17 November 2015 and by the Board of Directors of Banca Popolare di Cividale on that same date, pursuant to Art. 38 of the Articles of Association. The agreement entered into effect on 21 December 2015.

It was elected to backdate the effects of both mergers 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 2015. At the effective date of the transactions, Banca Popolare di Cividale held a 100% interest in Civileasing S.p.A. and Tabogan S.r.l.

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 Banca di Cividale S.C.p.A. 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 Bank'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 2014 consolidated financial statements.

Merger of Tabogan S.r.l. into Banca Popolare di Cividale S.C.p.A.

The agreement governing the merger of Tabogan S.r.l. into Banca Popolare di Cividale S.C.p.A. was entered into on 9 April 2015. 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 resulted in a "merger deficit" for the surviving entity of € 4 thousand, recognised, with a negative sign, among "Reserves" under item 160 of the balance sheet. The merger entered into effect on 15 April 2015, following the registration of the merger agreement with the competent offices of the Companies Register.

Merger of Civileasing S.p.A. into Banca Popolare di Cividale S.C.p.A.

The agreement governing the merger of Civileasing S.p.A. into Banca Popolare di Cividale S.C.p.A. was entered into on 11 December 2015. 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 resulted in a "merger deficit" for the surviving entity of € 451 thousand, recognised, with a negative sign, among "Reserves" under item 160 of the balance sheet.

The merger entered into effect on 21 December 2015, 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.

thousands of euro	TABOGAN SRL	CIVILEASING SPA	TABOGAN SRL	CIVILEASING SPA	TABOGAN SRL	CIVILEASING SPA
Assets	Values at 01/01/2015	Values at 01/01/2015	Adjustment from merger	Adjustment from merger	Merger difference	Merger difference
Cash and cash equivalents	-	-	-	-	-	-
Financial assets held for trading	-	18	-	-	-	-
Due from banks	-	1.031	-	370	-	-
Loans to customers	1.215	301.176	-	-	-	-
Property, plant and equipment and intangible assets	1.392	3.958	-	-	-	-
Other assets	2.786	7.500	-	-	-	-
Total assets	**5.393**	**313.683**	**-**	**370**	**-**	**-**
LIABILITIES	Values at 01/01/2015	Values at 01/01/2015	Adjustment from merger	Adjustment from merger	Merger difference	Merger difference
Due to banks	4.496	277.736	4.496	272.316	-	-
Direct funding from customers	2.236	1.024	2.000	-	-	-
Other liabilities	2	5.358	-	-	-	-
Specific provisions	-	-	-	-	-	-
Shareholders' equity	(1.341)	29.565	(1.341)	29.567	-	-
Total liabilities	**5.393**	**313.683**	**5.155**	**301.883**	**-**	**-**

Chapter H – TRANSACTIONS WITH RELATED PARTIES

1. Information concerning the compensation of key management personnel

The following table reports the compensation of the directors, executives and other key management personnel of the Bank. The compensation paid to directors and statutory auditors is set by specific resolutions of the shareholders' meeting.

	Amount
a) Short-term benefits *	2.565
b) Post-employement benefits	94
c) Other long-term benefits	-
d) Termination benefits	-
c) Share-based payments	-
Total	**2.659**

** The amount indicated includes the remuneration paid to directors of € 549 thousand, to the Board of Statutory Auditors of € 133 thousand and to the Supervisory Board of € 34 thousand.*

1. 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., 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: the Directors, Statutory Auditors and General Manager 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.

	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES	% of
Assets				
Loans to customers	***2.150***	***395***	***8.739***	***0,42%***
Board of Directors		44	8.494	0,32%
Board of Statutory Auditors		331	43	0,01%
Managers with strategic responsibilities		20	202	0,01%
Liabilities				
Due to customers	***4.843***	***754***	***3.773***	***0,45%***
Board of Directors		498	1.968	0,12%
Board of Statutory Auditors		32	695	0,03%
Managers with strategic responsibilities		224	1.110	0,06%
Income statement				
Net interest income	***184***	***(2)***	***282***	***0,71%***
Board of Directors		(3)	308	***0,47%***
Board of Statutory Auditors		5	(15)	***-0,02%***
Managers with strategic responsibilities		(4)	(11)	***-0,02%***
Net commission income	***21***	***10***	***88***	***0,52%***
Board of Directors		6	52	***0,26%***
Board of Statutory Auditors		2	33	***0,15%***
Managers with strategic responsibilities		2	3	***0,02%***
Administrative expenses	***-***	***(1.900)***	***-***	***2,66%***
Board of Directors (*)		(549)	-	0,77%
Board of Statutory Auditors		(167)	-	0,23%
Managers with strategic responsibilities		(1.185)	-	1,66%
Guarantees and commitments	**-**	**-**	***157***	***0,20%***
Board of Directors		-	157	***0,20%***
Board of Statutory Auditors		-	-	***0,00%***
Managers with strategic responsibilities		3	-	***0,00%***
Indirect funding	**-**	***2.428***	***5.381***	***0,81%***
Board of Directors		1.668	585	***0,23%***
Board of Statutory Auditors		386	3.601	***0,41%***
Managers with strategic responsibilities		374	1.195	***0,16%***

(*) Of which € 91 thousand attributable to Civileasing S.p.A. and € 17 thousand to Tabogan S.r.l.

Transactions with related parties 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 run by the directors of the Company 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.

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

Criteria for identifying and aggregating operating segments

In application of IFRS 8, the operating segments relevant for the purposes of segment reporting have been identified on the basis of the sectors of activity according to which the Bank's business was organised in 2015, which were as follows (considering the registration of the merger of Civileasing with the Companies Register on 21 December 2015):

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

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

Segment results – Income-statement data

INCOME STATEMENT DATA	31/12/2015			31/12/2014 - Normalized		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Net interest income (including result of hedging)	4.735	60.550	65.285	5.226	64.290	69.516
Net commissions	(91)	22.774	22.683	(118)	21.073	20.955
Dividends and net income (loss) of equity investments accounted for using equity method (1)	-	1.015	1.015	-	927	927
Net trading income	30	80.820	80.850	(173)	35.797	35.624
Other operating income (expenses) (4)	106	(342)	(236)	395	64	459
Operating income	**4.780**	**164.816**	**169.596**	**5.331**	**122.151**	**127.482**
Personnel expenses	(721)	(39.936)	(40.657)	(766)	(39.113)	(39.879)
Other administrative expenses (2)	(1.049)	(29.655)	(30.704)	(1.090)	(22.816)	(23.906)
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(148)	(8.031)	(8.179)	(179)	(1.717)	(1.897)
Operating cost	**(1.918)**	**(77.622)**	**(79.540)**	**(2.036)**	**(63.647)**	**(65.682)**
Income (loss) from operating	**2.862**	**87.195**	**90.056**	**3.295**	**58.505**	**61.800**
Charges/write-backs on impairment of loans and financial assets	(3.754)	(56.639)	(60.393)	(2.256)	(34.793)	(37.049)
Goodwill impairment and Profit (loss) on equity investments	-	(10.049)	(10.049)	-	(5.223)	(5.223)
Net provisions for risks and charges	(10)	(5.568)	(5.578)	-	(2.643)	(2.643)
Utile (Perdite) da cessione di investimenti	-	-	-	-	-	-
Income (loss) before tax from continuing operations	**(902)**	**14.939**	**14.036**	**1.039**	**15.846**	**16.884**
Tax on income from continuing operations	284	9.733	10.017	(466)	(10.430)	(10.895)
Net income for the period	**(618)**	**24.671**	**24.053**	**573**	**5.416**	**5.989**

Segment results – Balance-sheet data

ASSETS	31/12/2015			31/12/2014 - Normalized		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets held for trading	-	1.220	1.220	-	3.032	3.032
Financial assets available for sale	-	1.164.689	1.164.689	18	1.033.821	1.033.838
Financial assets held to maturity	-	32.716	32.716	-	64.697	64.697
Due from banks	87	40.298	40.385	1.031	158.316	159.347
Loans to customers	271.352	2.412.358	2.683.711	301.176	2.434.074	2.735.250

LIABILITIES	31/12/2015			31/12/2014 - Normalized		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Due to banks	-	1.167.164	1.167.164	277.736	962.651	1.240.387
Due to customers	1.610	2.084.419	2.086.029	1.024	1.893.436	1.894.460
Debt securities issued	-	475.730	475.730	-	689.006	689.006

Cividale del Friuli, 23 March 2016

Banca Popolare di Cividale S.C.p.A.
The Board of Directors

Appendices

Shareholders and share performance: historical information

FINANCIAL YEAR	YEAR	BALANCE AT END OF YEAR					NET INCOME	INCOME ALLOCATED TO THE SHAREHOLDERS	SHARES		
		SHAREHOLDERS	SHARES	SHARE CAPITAL AND RESERVES					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
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
Amounts in thousands of Lire											
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 thousands of Euro											
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	0,550	3,00	19,25
119	2005	9.748	9.400.000	28.200	93.366	121.566	12.127	5.170	0,700	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	0,600	3,00	20,25
121	2007	10.223	14.934.824	44.804	182.336	227.140	9.650	7.972	0,600	3,00	21,75
122	2008	10.070	14.934.824	44.804	183.846	228.650	11.640	8.961	0,600	3,00	23,00
123	2009	10.574	15.484.145	46.452	197.608	244.060	10.500	6.968	0,450	3,00	23,50
124	2010	11.719	16.634.078	49.902	225.217	275.119	10.100	7.485	0,450	3,00	24,00
125	2011	11.905	16.929.341	50.788	223.549	274.337	11.630	7.618	0,450	3,00	24,50
126	2012	12.309	16.927.763	50.783	244.885	295.668	14.103	5.925	0,350	3,00	24,50
127	2013	12.994	17.022.649	51.068	249.959	301.027	(33.850)	-	-	3,00	24,50
128	2014	14.544	16.971.085	50.913	221.070	271.983	5.803	-	-	3,00	24,50
129	2015	15.250	16.971.085	50.913	238.604	289.517	24.053	5.091	0,300	3,00	19,60

Board of Statutory Auditors' report on the separate financial statements of Banca Popolare di Cividale S.C.p.A. at and for the year ended 31 December 2015

Shareholders,

The Board of Statutory Auditors presents to you the following report on its activity during the year ended 31.12.2015, the financial statements for which have been submitted for your approval, and which the Board of Directors has made available, along with the Report on Operations and the other prescribed documents, within the terms established in applicable legislation.

The Board of Statutory Auditors in office at the date of this report was appointed by the shareholders' meeting on 25 April 2014 and is composed of its chairman, Renato Bernardi, standing auditors Giovanni Dal Mas and Gianluca Pico, and substitute auditors Pietro Cicuttini and Andrea Volpe.

* * *

The informational documents presented to the shareholders' meeting provide a description and adequate illustration of the Bank's performance, with an indication of its financial position, performance and results in 2015.

* * *

In performing its supervisory and control activity, the Board of Statutory Auditors complied with the law, supervisory regulations for banks, the circulars and communiques from the Bank of Italy, the legislation of reference and the principles of conducted recommended by Italy's National Council of Accountants and Accounting Experts.

We participated in all meetings of the Board of Directors and observed the development of company decisions and the course of the Bank's performance. The frequency with which the meetings of the Board of Directors were held permitted thorough fulfilment of the disclosure obligations imposed by the law and Articles of Association.

Timely interaction with the Auditing Service and meetings with the Auditing Department, Compliance Department, Risk Management Department and Loan Department and the Bank's various other services resulted in a flow of information that permitted adequate evaluation of the various issues subject to supervision and control within the purview of the Board of Statutory Auditors.

We always examined the information flows resulting from the Auditing Service's reports concerning ordinary and extraordinary activities.

Meetings with the independent auditors, Reconta Ernest & Young S.p.A., were organised in conjunction with the annual financial statements and on other occasions.

Our review extended to the proper application of accounting and administrative principles and the best presentation and representation in the financial statements of elements with a material impact at the level of financial performance and financial position.

In our capacity as internal control and auditing committee, pursuant to art. 19, par. 1, of Legislative Decree 39/2010, we supervised the financial reporting process, the efficacy of internal control systems, the independent auditing of the annual accounts and the independence of the auditing firm.

With respect to the pursuit of the common objective, as established in art. 2545 of the Italian Civil Code and art. 3 of the Articles of Association, please refer to the description and details provided in the Report on Operations. In this regard, the Board of Statutory Auditors confirm that the criteria adopted by the Bank in managing its business were not aimed exclusively at company profitability, but also at achieving the specific social function intrinsic to cooperative banks, inspired by the principles of mutual interest.

* * *

Significant events during the year

Significant events during the year included:

Sale of the equity interest in ICBPI

The sale of the 4.44% interest in Istituto Centrale delle Banche Popolari Italiane S.p.A. ("ICBPI") to Mercury Italy S.r.l. (a vehicle indirectly owned by the funds Bain Capital, Advent International and Clessidra SGR) was finalised on 18 December. Following that sale, the Bank retains a residual interest in the "new" ICBPI of 0.70%.

Mergers
As part of the process of simplifying and reorganising the Group's structure launched in 2013, the year saw the completion of the mergers of Tabogan S.r.l. (April 2015) and Civileasing S.p.A. (December 2015).

Specific capital requirements
On 23 December 2015, Banca Popolare di Cividale received an indication from the Bank of Italy of the capital requirements to be satisfied from 1 January 2016, identified as a Common Equity Tier 1 ratio of 9.4% and a Total Capital ratio of 11.4%. The Bank's Directors do not foresee any difficulty with regard to the current and prospective ability of Banca Popolare di Cividale to satisfy those requirements.

* * *

Subsequent events

Inspection by the supervisory authority
The Bank of Italy’s ordinary inspection of began on 8 February 2016 and is still ongoing.

On 23 March 2016, the Board of Directors resolved to include action pursuant to Articles 2393 and 2407 of the Italian Civil Code concerning the events relating to the construction of the new headquarters of Banca Popolare di Cividale and the related real-estate transactions in the agenda of the shareholders' meeting.

* * *

Intra-group and related-party transactions
The Board of Statutory Auditors confirm that related-party transactions are subject to thorough assessment of compatibility by the Board of Directors. It may also be confirmed that such transactions reflect the criteria of competence and substantial and procedural propriety indicated in the legislation of reference and are part of normal banking operations. They are generally subject to the market conditions for the specific transactions. Transactions undertaken with persons serving in positions of administration, management and control at the Bank were always carried out in accordance with art. 136 of the Consolidated Banking Act, regulatory provisions and the obligations laid down in art. 2391 and 2391-*bis* of the Italian Civil Code.
Until the merger agreements, the same procedure was also observed by persons serving in positions of administration, management and control at Group companies, with regard to transactions undertaken with the Bank or other Group companies. In accordance with applicable legislation, the Board of Directors approved the Procedures for Transactions with Related Parties and Associated Parties. In accordance with applicable regulations, the document has been published on the Bank's website.
During the year, no atypical or unusual transactions, as defined in art. 2427, par. 2, of the Italian Civil Code, or the international accounting standards adopted by the European Union, with a material impact on the financial performance or financial position were undertaken with Group companies, related parties, or other parties.

* * *

Information on activity performed
Compliance with the law and Articles of Association
As mentioned above, we participated in all meetings of the Board of Directors and obtained adequate information regarding the activity performed and transactions with the greatest impact on financial performance and financial position undertaken by the Bank and its subsidiaries.
We may reasonably affirm, on the basis of the information obtained, that such transactions were undertaken in accordance with the law and Articles of Association, were always in the Bank's interest and did not appear manifestly imprudent or excessively risky, were not in conflict of interest, did not conflict with the resolutions passed by the shareholders' meeting and were not otherwise such as to compromise the integrity of the Bank's assets.
We supervised compliance with the law, Articles of Association and principles of sound management, and we determined that the directors' actions were consistent with the law and Articles of Association, compliant with the principles of sound and prudent management and in accordance with the need to achieve the Bank's interests.

Atypical or unusual transactions
In 2015 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.

Intra-group transactions and transactions with other related parties
As mentioned above, prior to the merger agreements, intra-group transactions were of an ordinary nature.

Complaints pursuant to art. 2408 of the Italian Civil Code
In 2015 the Board of Statutory Auditors did not receive complaints from shareholders pursuant to art. 2408 of the Italian Civil Code.

Principles of sound management
We investigated and supervised compliance with the principles of proper administration, sound and prudent management, transparency of information and operating performance, obtaining information from function heads, and we do not have any observations on this subject.

Adequacy of the organisational structure
To the extent of our competence, we supervised the organisational structure, acknowledging the modifications completed and in progress, and, on the basis of the information obtained from the various company functions, in light of the Bank's size and complexity, it is our opinion that the organisational structure is essentially adequate. We agree with the need, as also perceived by the Bank, to continue the process of achieving the compliance of the organisational structure to take account of the changed context in which the Bank operates.

Adequacy of the administrative and accounting system
We supervised the adequacy of the administrative and accounting system and the system's ability to properly detect and represent operating events in the financial statements and we may reasonably confirm, to the extent of our competence and on the basis of information obtained from the independent auditors and manager responsible for financial reports, that the administrative and accounting system is adequate and reliable.
The process of verifying the suitability of the administrative and accounting processes and control procedures, aimed at ensuring the proper, thorough representation of operating events in periodic and year-end financial situations, provides a basis for us to express an opinion in favour of the adequacy of the function identified with the manager responsible for preparing company accounting documents.

Adequacy of the internal control system
The Board of Statutory Auditors assessed and supervised the adequacy of the internal control system, in its elements and interactions, and reports, firstly, its assessment that the internal control and risk management system is essentially adequate and effective in light of the Bank's characteristics and risk profile, as expressed by the Board of Directors in the Corporate Governance Report.
Our supervisory activity took the form of constant interaction with control functions (Internal Audit, Risk Management, Compliance and Anti-Money Laundering) with the aim of determining compliance with company rules and procedures, and the adequacy and effectiveness of the overall control system, with particular regard to risk monitoring and management.
It should be noted that a clear degree of autonomy and independence has been attributed to the heads of control functions, who, according to the company's structure, report directly to the Board of Directors, thus ensuring the necessary position of autonomy with respect to other company structures.
In view of coordination amongst the various components of the company organisation (company bodies, management structures, risk control, internal auditing and legal compliance), the Board of Statutory Auditors promoted meetings with company functions, during which it emphasised the need to maintain a strong focus on the compliance of internal information flows.
In this regard, mention should be made of the institution of the Risk Committee within the Board, which is resulting in greater efficiency in the transmission of information between control functions and company bodies.
The activity performed by control functions confirms the importance attributed to risk management and monitoring mechanisms. In this regard, it is important to spread and emphasise a culture of control and compliance with the rules. With regard to credit risk management in particular, attention should be drawn to the definitive launch of the anomalous loan management procedure (PMG).
In 2015, the Board of Statutory Auditors acknowledged the Bank's initiatives in view of gradual enhancement of the organisational and managerial safeguards in the credit arena, implemented, in particular, through a

process of updating internal rules and procedures and IT applications, with the aim, among other goals, of adopting the European Central Bank's indications concerning the timely implementation of the provisions governing non-performing loans and forborne exposures.
Finally, the Board of Statutory Auditors, without prejudice to the planning activities to be undertaken and finalised, as also regards the proportionality principle, believes that the internal control system is effective as a whole and reiterates its central role, emphasising the importance of adequate, timely internal information flows. It is in this connection that one should view the process of revising information flows for company bodies launched with the specific support of the consultant Oasi Servizi and aimed at achieving an effective integrated reporting system.
As stated in the annual report by the Auditing Department, *"as a whole, the internal control system is believed to be suited to permitting conduct of the business in a manner consistent with the predetermined objectives, while ensuring adequate risk management, as also regards the proportionality principle, according to which banks apply provisions on this subject in light of the size and complexity of their operations, the nature of the business performed and the type of services provided."*
On the basis of the activity performed and the results of the audits conducted by Internal Audit, the Board of Statutory Auditors believes that there is room for further improvement, but that there is no significant inadequacy of the internal control system.

Annual Corporate Governance Report
The Annual Corporate Governance Report, which has been drafted and included among the documents aimed at providing information to the shareholders' meeting, provides proper information regarding the current situation.
To the extent of their competence, the auditors expressed a positive judgement of the consistency of the Report on Operations.

Evaluation of independence requirements
The Board of Statutory Auditors does not have any observations with regard to the application of the evaluative criteria adopted by the Board of Directors to assess the independence of its members.
The statutory auditors confirm that they remain independent.

Organisation, Supervision and Control Model pursuant to Legislative Decree 231/2001
In September 2014, the supervision and control function identified in Art. 6 of Legislative Decree No. 231/2001 was assigned to the Board of Statutory Auditors, as indicated and recommended by the Bank of Italy.
On this subject, it should be noted that in 2015 the Board of Directors approved an updated version of the Organisation, Supervision and Control Model Pursuant to Legislative Decree 231/01.
The supervisory activity performed did not bring to light any critical issues relating to operating and internal control activities.

Independent auditors
The independent auditors issued their report on the financial statements at and for the year ended 31.12.2015 on today's date. The above report contains a positive opinion, without remarks or exceptions. To the extent of their competence, the auditors expressed a positive judgement of the consistency of the Report on Operations.
In particular, the Board of Statutory Auditors verified the adequacy from a methodological standpoint of the impairment testing process to which the affected assets were subjected.
During meetings with the independent auditors, the Board of Statutory Auditors was not informed of any aspects requiring mention and/or circumstances deserving censure.
The Board of Statutory Auditors also reports that it has formally submitted its reasoned proposal to the shareholders' meeting for the recalculation of the amounts due to the independent auditors for the period 2016-2018 in light of the mergers (Civileasing).

Remuneration policies
The Board of Statutory Auditors examined the document governing the Bank's remuneration policies approved by the Board of Directors on 6 April 2016. In this regard, on the basis of the available information, the Board of Statutory Auditors believes that the principles laid down in that document are not in conflict with the company's objectives, strategies and prudent risk management policies.

Specific observations
Pursuant to Art. 2426 (1) (5) of the Italian Civil Code, the Board of Statutory Auditors reports that no start-up and expansion costs, research and development costs or capitalised advertising costs have been recognised as assets.

Pursuant to Art. 2426 (1) (6) of the Italian Civil Code, the Board of Statutory Auditors expressed its consent to recognition of total goodwill of € 9.136 million, assessed in light of the results of the impairment test

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, indicated the need to proceed with the impairment of goodwill for € 10 million, as emphasised by the Board of Directors. The reasons for the above impairment loss relate to the combined effects of the extended economic recession and the uncertain prospects of a recovery, which had a particularly pronounced influence on the areas in which the Bank operates. The results of the analysis conducted to determine the recoverable amount of the CGU referring to the full perimeter of the Bank indicate a considerably lower contribution to cash flow generation - over a significant time horizon - than considered when determining the original flows.

* * *

Shareholders,
On the basis of the information provided in this report, the Board of Statutory Auditors may reasonably assure you that the activity performed and the information obtained have not brought to light any circumstances requiring censure and/or irregularities or omissions to be reported or mentioned in this report.
The Board of Statutory Auditors confirms that the financial statements have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and have also been drafted in compliance with the instructions issued by the Bank of Italy.
With respect to the separate financial statements, the manager responsible for the financial statements has formally confirmed that the Bank has duly fulfilled its obligations, without any remarks and without identifying any problems and/or anomalies.
In their reports, the independent auditors express a positive opinion, without remarks, objections and/or requests for information. To the extent of their competence, the independent auditors also express a positive opinion concerning the consistency of the report on operations with the financial statements.
To the extent of our competence, on the basis of the information obtained, we have determined that the financial statements were prepared in accordance with general preparation principles and measurement criteria consistent with accounting standards. The notes complete the financial statements with the data and elements needed to provide ample, detailed information.
Considering the foregoing, in view of the confirmation provided by the manager responsible for the financial statements, and in light of the positive opinion without remarks, objections and/or requests for information by the independent auditors, we hereby express our consent to the approval of the financial statements at and for the year ended 31.12.2015 and acknowledge that the proposed allocation of the net income for the year by the Board of Directors is not in conflict with the law, regulations or Articles of Association.
In conclusion of this report, the statutory auditors would like to express their appreciation to the Board of Directors, management and the Company's entire staff for the competence, commitment and professionalism they have shown.

Cividale del Friuli, 7 April 2016

The Board of Statutory Auditors
(Renato Bernardi)
(Giovanni Dal Mas)
(Gianluca Pico)

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

1. We, the undersigned, Michela Del Piero, 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 financial statements during the period 1 January – 31 December 2015:

- ✓ 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 financial statements at and for the year ended 31 December 2015 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 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.

3.2. The 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, 23 March 2016

The Chairman of the Board of Directors
Michela Del Piero
[signed]

Manager responsible for financial reports
Gabriele Rosin
[signed]

Independent Auditors' report on the financial statements of Banca Popolare di Cividale S.C.p.A. at and for the year ended 31 December 2015

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INDIPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED JANUARY 27, 2010
(Translation from the original Italian text)

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

Report on the financial statements

We have audited the financial statements of Banca Popolare di Cividale S.c.p.A., which comprise the balance sheet as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the related explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banca Popolare di Cividale S.c.p.A. as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated February 28, 2005.

Reconta Ernst & Young S.p.A.
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Report on other legal and regulatory requirements

Opinion on the consistency of the Report on operations and of specific information of the Corporate governance report with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on operations and of specific information of the Corporate governance report as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the financial statements, as required by law. The Directors of Banca Popolare di Cividale S.c.p.A. are responsible for the preparation of the Report on operations and of the Corporate governance report in accordance with the applicable laws and regulations. In our opinion the Report on operations and the specific information of the Corporate governance report are consistent with the financial statements of the Banca Popolare di Cividale S.c.p.A. as at December 31, 2015.

Verona, April 7, 2016
Reconta Ernst & Young S.p.A.
Signed by: Marco Bozzola, Partner

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

Property, plant and equipment subject to monetary revaluation

	Historical cost	Currency revaluations	Impairments	Carrying amount
ATTIMIS - Via Cividale	245	305	334	**216**
BUTTRIO - Via Div. Julia	247	871	534	**584**
CIVIDALE - Corso Mazzini	1.815	72	1.612	**275**
CIVIDALE - Piazza Duomo	6.188	9.506	8.562	**7.132**
CIVIDALE - Via Cavour	87	1.051	591	**547**
GORIZIA - Corso verdi	913	133	343	**703**
GRADO - Via Marina	399	89	184	**304**
MANZANO - Via della Stazione	929	53	308	**674**
PALMANOVA - Piazza Grande	546	73	229	**390**
PAVIA DI UDINE - Via Persereano	264	203	179	**288**
PORDENONE - Corso Garibaldi	717	92	283	**526**
POVOLETTO - Piazza Libertà	353	623	520	**456**
PRATA DI PORDENONE - Fraz. Puja - Via Dante	207	10	68	**149**
REMANZACCO - Piazza P. Diacono	403	1.199	674	**928**
S. GIOVANNI AL NATISONE - Via L. Da Vinci	486	1.872	1.081	**1.277**
S. LEONARDO - Via Scrutto	181	218	242	**157**
S. VITO AL TAGLIAMENTO - Viale del Mattino	635	17	171	**481**
SACILE - Viale Lacchin	280	66	107	**239**
SAN GIORGIO DI NOGARO - Via Europa Unita	277	21	87	**211**
SPILIMBERGO - Corso Roma	320	73	148	**245**
TAVAGNACCO - Via Udine	1.046	360	629	**777**
UDINE - Piazzale XXIV Luglio	1.279	173	546	**906**
UDINE - Via Marsala	546	9	220	**335**

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 2015*
Services provided to the Banca Popolare di Cividale Scpa	**219**
Independent auditors: Reconta Ernest & Young	
- Auditing services	157
- Inspection services for the purpose of issuing certification	48
- Other services	15

** The fees indicated also include the legal auditing of Civileasing S.p.A., merged on 21 December 2015.*

Country-by-country reporting

In accordance with Circular 285 of 17 December 2013 (Supervisory Provisions for Banks), fourth update of 17 June 2014, Banca Popolare di Cividale publishes the following information concerning its place of business in Italy:

a) Name of the local company and nature of its business

Name:

Banca Popolare di Cividale S.C.p.A., with office in Cividale del Friuli at Via Sen. Guglielmo Pelizzo 8/1, tax code and Udine Companies Register no. 0249360306, registration in the Bank of Italy register no. 5758.8.0, Register of Banking Groups no. 05484.1

Nature of its business:

Financial intermediation (financial services for businesses, trading and sale, retail intermediation, commercial banking services, retail banking services, payment and settlement, fiduciary management, asset management and leasing)

The Bank's customers traditionally consist of families, craftsmen, professionals and small and medium enterprises.

	Amounts as at 31/12/2015
b) Sales (1)	169.832
c) Number of full-time equivalents (2)	462
d) Profit or loss before taxes (3)	14.036
e) Income taxes (4)	10.017
f) Public grants received (5)	-

(1) "Sales" are defined as operating revenues (item 120 of the income statement) (cf. Circular 262)

(2) "Number of full-time equivalents" is determined as the total hours worked overall by all employees, excluding overtime, divided by the total annual number of hours to be worked by a full-time employee by contract.

(3) "Profit or loss before taxes" is calculated as item 250 of the consolidated income statement, pursuant to Circular 262;

(4) "Income taxes" are defined as the sum of the taxes presented in item 260 of the income statement, pursuant to Circular 262;

(5) The item "Public grants received" must include grants received directly from public administrations. This item does not include transactions undertaken by central banks for financial stability purposes or transactions with the aim of facilitating the monetary policy transmission mechanism. Similarly, any transactions part of government aid schemes approved by the European Commission are not to be taken into consideration;

Banca Popolare di Cividale
Società Cooperativa per Azioni

1886 - 2016: 130 years of history are a milestone of which we are very proud. This anniversary has a truly profound meaning for a Bank such as ours, which has made the growth of its local community its mission.

To emphasise the importance of this anniversary, we have created a dedicated logo that aims to summarise our historical values, combined with our constant readiness to evolve in keeping with the times; this logo will be used in all communications and celebrations in 2016.

The most significant symbolic aspect relates to the connections and points of interaction with the people and companies in our area (shareholders, customers, employees, communities, institutions and suppliers), represented by various colours that also express the Bank's energy and vitality towards them. A web of relationships that will only be further strengthened during the year, thanks to the packed schedule of special events that we have planned to celebrate this truly unique occasion together.