Consolidated Half-Year Financial Report at 30 June 2013

Banca Popolare di Cividale S.c.p.A.
Registered office: Cividale del Friuli – Piazza Duomo 8
Taxpayer ID and Udine Companies Register no. 00249360306
Roll of Banks no. 5019.5
Banca Popolare di Cividale Group
Roll of Banking Groups no. 5019.5
Share capital: €50,783,289, fully paid-in

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Officers and senior management of Banca Popolare di Cividale

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

Highlights and alternative performance indicators at 30 June 2013

BALANCE SHEET DATA	30/06/2013	31/12/2012	Change %	30/06/2012	Change %
Loans to customers	3.154.323	3.182.832	-0,9%	3.125.524	0,9%
Financial assets and liabilities	1.520.505	1.503.682	1,1%	1.247.979	21,8%
Investments in associates and companies subject to joint	7.321	8.635	-15,2%	8.051	-9,1%
Total assets	5.143.984	5.286.569	-2,7%	4.926.914	4,4%
Direct funding	3.749.327	3.787.931	-1,0%	3.476.739	7,8%
Indirect funding	1.345.230	1.380.386	-2,5%	1.486.426	-9,5%
- of wich: Assets under management	533.231	547.396	-2,6%	516.596	3,2%
Total funding	5.094.557	5.168.317	-1,4%	4.883.165	4,3%
Shareholders' equity	270.581	339.607	-20,3%	316.837	-14,6%

SOLVENCY RATIOS	30/06/2013	31/12/2012
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	8,0%	11,1%
Total capital / Risk weighted assets (Total capital ratio)	10,0%	13,0%

BALANCE SHEET RATIOS	30/06/2013	31/12/2012
Indirect funding from customers / Total funding	26,41%	26,71%
Assets under management / Indirect funding from customers	39,64%	39,66%
Direct funding from customers / Total liabilities	72,89%	71,65%
Loans to customers / Direct funding from customers	84,13%	84,03%
Loans to customers / Total assets	61,32%	60,21%

CREDIT RISK INDICATORS (thousands of euros)	30/06/2013	31/12/2012
Net non-performing loans	136.981	122.028
Other net impaired loans	224.586	236.655
Net non-performing loans / Loans to customers	4,3%	3,8%
Other net impaired loans / Loans to customers	7,1%	7,4%
Total net impaired loans / Loans to customers	11,5%	11,3%
Non performing loans hedging	57,9%	54,3%
Other impaired loans hedging	23,7%	12,7%
Cost of credit (*)	3,4%	1,3%

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

OTHER ECONOMIC INFORMATION	30/06/2013	31/12/2012
Operating cost / Operating income (cost income ratio)	36,7%	55,3%

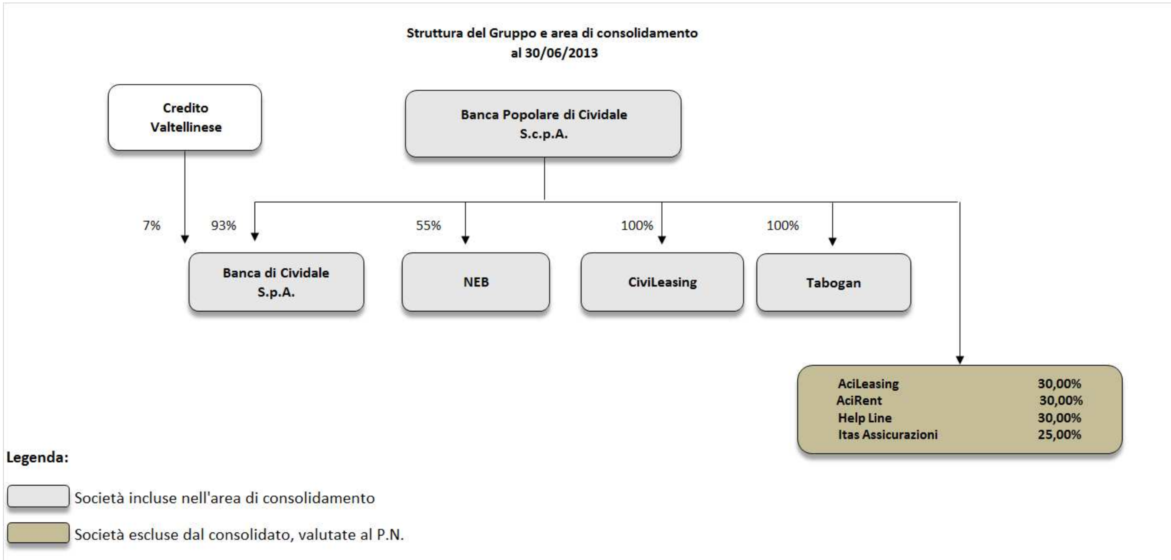
INCOME STATEMENT DATA (thousands of euros)	30/06/2013	30/06/2012	Change %
Net interest income (including result of hedging)	44.575	42.412	5,1%
Gross income	92.951	61.524	51,1%
Net financial income	3.167	43.964	-92,8%
Gross operating income	(32.439)	9.845	-429,5%
Net income for the period	**(23.723)**	**6.451**	**-467,7%**

	30/06/2013	31/12/2012
N° of employees	596	595
Branches	74	73

The Banca Popolare di Cividale Group

Structure of the Banca Popolare di Cividale Group at 30 June 2013

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



The main changes during the half-year related to the finalisation of the first part of the repurchase by Banca Popolare di Cividale of the equity interest held by the Creval Group in the subsidiary Banca di Cividale S.p.A., functional to the corporate reorganisation transaction that is to be completed during the current year.

The branch network of the Banca Popolare di Cividale Group

The Group's branch network consisted of 74 operational branches at 31 December 2012.

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

- 40 in the province of Udine;
- 8 in the province of Gorizia;
- 11 in the province of Pordenone;
- 3 in the province of Trieste;
- 6 in the province of Treviso;
- 5 in the province of Venice; and
- 1 in the province of Belluno.

The human resources of the Banca Popolare di Cividale Group

At 30 June 2013, the human resources of the companies belonging to the Banca Popolare di Cividale S.c.p.A. Group numbered 596, compared to 595 in December 2012.

Interim report on operations

The first half of 2013

Executive summary

In the first half of the year, the global economy, the pace of which had already increased in the first quarter owing to more robust growth in certain advanced nations, continued to expand. However, the persistent weakness of the Euro Area and the slowdown of emerging economies in Asia kept international trade flows at modest levels. The prices of energy products and other commodities declined, driving a general decrease in inflation.

Global financial market conditions reflected the emergence of uncertainty amongst investors regarding the future duration of the quantitative easing policy in the United States and the spread of concerns relating to the outlook for credit in China. Price declines primarily related to emerging nations, while spreading, although to a limited degree overall, to the Euro Area, where government security prices were also affected by political uncertainty in Portugal. The decision by the agency Standard & Poor's to revise the Italian sovereign credit rating downward had contained effects on demand and yields.

In the Euro Area, GDP fell further in the first quarter of the year, showing a decline that also extended to countries not directly exposed to financial market tensions. The most recent economic indicators point to a possible stabilisation of the economic cycle, yet under activity conditions that remain weak. The Eurosystem's June forecasts call for a decline in activity of 0.6% this year, 1.5 points below the estimate published in September of the previous year.

In May, the ECB applied a further reduction of official interest rates, decreasing its main refinancing rate to an all-time low of 0.50%. In consideration of the prospects for low inflation, general economic weakness and highly contained monetary growth, in early July the ECB Governing Council announced that it expects to maintain official rates at their current levels or lower for an extended period of time. In parallel, as announced in May, refinancing transactions are to be undertaken at a fixed rate and with the award of the full requested amounts for as long as deemed necessary, and at least until July 2014.

On the credit front, loans to businesses and households declined further, continuing to reflect not only the weakness of the demand for loans, but also the perception of high credit risk by banks. The unfavourable economic scenario continued to have a negative impact on intermediaries' asset quality and profitability.

Overall, economic activity is expected to stabilise at the end of this year. According to the Bank of Italy's forecasts, the recovery is to gain strength in 2014, with average annual growth of 0.7%, owing to stronger international trade flows and a gradual recovery of investment in production.

Emerging economies and markets

In the first few months of 2013, global economic activity benefited from the consolidation of the recovery in the United States, where the feared negative repercussions of budget policy fell short of expectations, as well as from growth in Japan. In the major emerging nations, and especially in China, growth was less robust, while remaining strong overall. The decline in commodities prices – and especially in the prices of energy products – resulted in the abatement of inflationary pressure in the second quarter. Amongst the main emerging nations, inflationary pressures relented in China and India, while remaining strong in Russia and Brazil.

The most recent economic indicators for the major advanced nations indicate that the recovery continued in the second quarter, although at a moderate pace overall. In the United States, GDP is believed to be growing at an annual rate of nearly 2%, owing in part to the improvement in job market conditions and the recovery of activity on the real-estate market. On the basis of the information available at present, economic activity is believed to have continued to increase in Japan at a rate comparable to that witnessed in the previous quarter and is also estimated to have grown moderately in the United Kingdom.

In the Euro Area, following the continuing decline in GDP in the first quarter of the year, economic indicators showed some signs of progress in the spring months: however, levels remained low. Over the past three months, consumer inflation decreased considerably, to an average of 1.4%. The European Central Bank expects to keep official rates at current or lower levels for an extended period, in consideration of the performances of prices, economic activity and the currency.

The International Monetary Fund's most recent projections call for global growth of 3.1% compared to 2013, unchanged with respect to 2012. The slight downwards revision with respect to April was primarily due to more contained growth in the major emerging economies and the continuation of the recession in the Euro Area. On the whole, global economic prospects remain subject to downside risks.

The banking system[1]

Credit market conditions remained tense. The survey of bank lending (the *Bank Lending Survey*) for the first quarter of 2013 shows that the performance of loans continued to be affected by the weakness of financing in the private sector, but also by supply tensions arising from the perception of high credit risk tied to the economy's uncertain prospects.

Bank loans to the non-financial private sector decreased by 3.7% in May on an annual basis compared to three months earlier. Loans to businesses decreased by 5.4%, more significantly for smaller companies, whereas loans to households decreased by 1.6%.

In May, the average cost of new loans to businesses remained unchanged (at 3.5%, as in February). The average cost of new loans to households remained essentially stable at 3.7%, coming to 3.5% for floating-rate transactions, which accounted for over two-thirds of total disbursements, and 4.3% for fixed-rate transactions.

The deterioration of credit quality intensified in the first quarter of the year. The flow of new non-performing loans, as a percentage of total loans, net of seasonal factors and in annual terms, increased by four-tenths of a percentage point compared to the three previous months (to 2.8%, the highest level since the beginning of the crisis). The increase is primarily attributable to loans to businesses, for which the rate of reclassification to non-performing status increased by 60 basis points, reaching 4.5%. New non-performing loans to households as a percentage of total loans increased by ten basis points to 1.5%.

Financial markets

Italian financial market conditions improved slightly overall in the second quarter of the year. The uncertainty surrounding United States monetary policy, tensions on the Chinese interbank market and concerns of a political crisis in Portugal resulted in further tensions, mitigated by the decisions announced by the ECB's Governing Council in early July. The reduction of Italy's rating by Standard & Poor's from BBB+ to BBB with a negative outlook had only a modest impact on the markets.

During the same period, the spread between ten-year Italian government securities and the corresponding German securities decreased by 55 basis points to 292 points. Net redemptions of bonds by Italian banks were considerable (€30 billion in the first quarter and €15 billion in April), following a trend similar to that observed for the Euro Area generally. The cost of bond funding remained high for Italian banks.

Key operating events in the first half of the year

Corporate reorganisation

In March, the Parent Company, Banca Popolare di Cividale, approved a broader corporate reorganisation plan that is to involve, inter alia, the merger of the subsidiaries Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale. The transaction will be finalised in the second half of 2013, with the concentration of all banking operations within a single legal entity.

Inspection by the supervisory authority

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

Investigation by the Public Prosecutor's Office of Udine

In April, following an investigation by the Public Prosecutor's Office of Udine, the subsidiary Banca di Cividale S.p.A. and several exponents of the issuer and institutions belonging to the Banca Popolare di Cividale Banking Group were subject to investigation in connection with circumstances dating back to the period from 2004 to 2008. No requests for the committal to trial of the parties under investigation have been handed down for the aforementioned circumstances subject to investigation at the date of approval of this report.

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

Appointment of the new general manager

In April, Mario Leonardi was appointed the new general manager of Banca Popolare di Cividale, following the previous manager's resignation in connection with the investigation by the Public Prosecutor's Office of Udine.

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

In early June, a new agreement superseding all previous understandings was signed by the Banca Popolare di Cividale Group and Creval Group, establishing the conditions of the sale during the current year of the entire equity investment held by Credito Valtellinese in Banca di Cividale, consisting of 2,505,000 shares, accounting for 20% of share capital (the remaining 80% was already held by Banca Popolare di Cividale, the Parent Company of the banking group of the same name), and additional agreements were also reached for the continuation of the strategic partnership between the two banking groups.

The agreement envisages the sale by Creval of all 2,505,000 Banca di Cividale shares in the former's portfolio for total consideration of €73.7 million, a value essentially in line with the carrying amount of the investment in the consolidated financial statements at 31 December 2012.

The first tranche of the transaction was finalised on 17 June 2013, with the sale of 1,628,250 Banca di Cividale shares for consideration of €47,919,397.50.

The second tranche, to be completed by 31 December 2013, will involve the sale of the remaining 876,750 Banca di Cividale shares for consideration of €25,802,752.50.

The transaction is also to involve the subscription by Creval for a subordinated bond issued by Banca Popolare di Cividale with a par amount of €15,000,000.

Under the agreement reached, Credito Valtellinese has undertaken to purchase an equity interest in Banca Popolare di Cividale, subsequent to the merger, by subscribing for newly issued shares, for maximum consideration of €5 million.

Banca Popolare di Cividale and Creval thus intend to reaffirm their desire to maintain close partnership ties for the future, following the mutual satisfaction of their pursuit of the common goals identified when the original agreements were signed in 2004.

In further detail, the agreements for the supply of ICT services by the Creval Group to the Banca Popolare di Cividale Group have been renewed through the end of 2016.

Subsequent events

At the date of approval of this report, no material events of a sort that would have a significant effect on either the earnings and financial position of the Company or the various entities within the scope of consolidation or on the representation thereof had occurred after the end of the first half of 2013. Furthermore, it may be remarked that the inspection by the supervisory authority was concluded on 8 August.

The Banca Popolare di Cividale Group in the first six months of 2013

In the first half of 2013 the Group achieved positive operating results that continued to be affected by the difficulties in the general economic scenario and the operating context in the sector. Net operating income improved on an annual basis, driven by the performance of financial assets and the decline in operating costs, which will be subject to structural reduction as a result of the broader corporate reorganisation process that is to involve, inter alia, the merger of the subsidiaries Banca di Cividale S.p.A. and Nordest Banca S.p.A. into Banca Popolare di Cividale. An analysis of the components of the income statement for the first half of 2013 shows **net financial income** of €44,575 thousand, up by 5.1% compared to the first six months of 2012. The increase was due, among other factors, to the rise in the component associated with financial assets reported in the first half of 2013.

The service segment generated **net commissions** of €11,957 thousand, up by 7.9% compared to the previous period. Commissions on insurance products, credit cards, securities placement and asset management performed positively.

The net income on trading, sale/repurchase of AFS assets, of €35,496 thousand, was up considerably compared to the €7,278 thousand reported in the corresponding period of the previous year, benefiting from the positive performance of transactions involving purchases and sales of government securities.

Operating costs were down compared to the same period of the previous year (-0.4%). It should be noted that in absolute terms, the change may be attributed primarily to net impairment of property and equipment and intangible assets (-7.0%), as well as personnel expenses (-2.3%).
Net operating income stood at €58,933 thousand, up considerably from the €27,835 thousand in the corresponding period of the previous year.
Net **impairment** of loans and other financial assets, which also include the results of the inspection conducted by the Bank of Italy, came to €89,784 thousand compared to €17,560 thousand in the first half of 2012. The extent of the provisions reflects the difficulties affecting the Italian economy and society, especially acutely perceived by local banks, which remain in close contact with businesses and families.
The **loss before tax from continuing operations** came to €32,438 thousand, compared to income of €9,846 thousand in the first half of the previous year.
Income taxes for the period came to net assets of €3,342 thousand, owing in part to the recognition of deferred tax assets.
The **net loss** for the period amounted to €23,723 thousand.

Balance sheet aggregates showed a modest fall in loans to customers (-0.9%), owing in part to the challenging economic scenario.
Direct funding presented a decrease compared to 31 December 2012; however, the component referring to the retail channel alone increased by €101 million.

Shareholders' equity attributable to the Group
The Group's shareholders' equity stood at €270,581 thousand at 30 June 2013 compared to €339,607 thousand in December 2012.
The following is a reconciliation of the shareholders’ equity and net loss for the period of the Parent Company and the corresponding consolidated figures at the same date.

	30/06/2013		31/12/2012	
	Shareholder's equity	of which: net income of period	Shareholder's equity	of which: net income of period
Balance in Parent company financial statement	**307.229**	**25.700**	**309.771**	**14.172**
Pro rata results of equity investments				
- line item consolidation	(48.944)	(48.944)	(7.624)	(7.624)
- accounted for using equity method	(265)	(265)	300	300
Amortization of goodwill				
- current year	-	-	-	-
- previous years	-	-	-	-
Differences with consolidated on line-item basis				
- companies consolidated on line-item basis	16.078	-	40.054	3.912
- companies accounted for using equity method	1.108	-	808	-
Dividends received in the period				
- current year	-	-	-	(343)
- previous years	-	-	-	-
Consolidation adjustments				
- elimination of intercomany profits and losses	(4.624)	(214)	(3.703)	(866)
- other adjustments				
Balance in consolidated financial statements	**270.581**	**(23.723)**	**339.607**	**9.551**

In terms of solidity, consolidated **regulatory capital** stood at €276,756 thousand on risk-weighted assets of €2,772,952 thousand. The core capital ratio came to 8.0%, compared to 11.1% at 31 December 2012, whereas the total capital ratio was 10.0% compared to 13.0% at the end of December 2012. The change is primarily to be attributed to the repurchase by the Parent Company of the equity investment held by Credito Valtellinese in the subsidiary Banca Cividale S.p.A., functional to corporate reorganisation transactions. For the purposes of the determination of capital ratios, the equity investment was fully acquired in the first half of 2013.

Transactions with related parties, risks and the going-concern assumption

Transactions with related parties

The subject is primarily governed by Article 2391-*bis* of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in

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

Major transactions

In application of the Group Regulation governing the management of transactions with related parties, the market disclosure document entitled *Disclosure Document Pursuant to Article 5 of Consob Regulation 17221-2010 APT Intra-Group Merger of BDC S.p.A. and NEB S.p.A. into BPC S.c.p.A.* concerning the corporate reorganisation transaction cited above was published in the first half of 2013. The document is available from the website at the address: http://www.bancapopolaredicividale.it/it/095/Informativa+R.+Emittenti+Consob.

Transactions of an ordinary or recurring nature

The transactions of an ordinary or recurring nature undertaken in the first half of 2013 with related parties are part of the Bank's ordinary operations and are normally governed by market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.
In keeping with the above arrangement, dealings with Group companies consist primarily of consideration for services rendered, deposits and financing in the course of ordinary interbank operations, as regards the banking firms. The other contractual dealings with specialised finance companies and the Group's service providers involve assistance and advisory services and specialised services in support of current operations.
Detailed information regarding intra-Group and related-party dealings, including information on the impact of outstanding transactions and positions with such counterparties on the Group's financial performance and financial position, accompanied by tables summarising those effects, are set forth in the notes to the consolidated interim financial statements.

Risk management

Identifying the risks to which the Group is potentially exposed is the basis for assuming such risks in an informed manner and managing them effectively, using the appropriate tools and techniques to mitigate and transfer those risks, with the aim of limiting the volatility of expected results.

Risk management, inspired by criteria of extreme prudence, is carried out in the context of a precise organisational framework that includes the set of internal rules, operating procedures and control structures, structured according to a model that integrates monitoring methods at various levels, all converging with the goals of ensuring the efficiency and effectiveness of operating processes, preserving the company's assets, protecting it from losses, ensuring the reliability and integrity of information and verifying the proper conduct of operations in accordance with internal and external regulations.

According to the classification adopted in academic literature and prudential supervision, the main types of risks to which the Bank is exposed in the conduct of its core business and more general entrepreneurial activity are credit risk, market risk, interest-rate risk, liquidity risk, operational risks, reputational risk, associated party risk and securitisation risk.

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

For detailed information concerning risk management, refer to the specific section of the notes.

Business continuity, financial risks, impairment testing and uncertainty in the use of estimates

With respect to Bank of Italy, Consob and ISVAP Document 2 of 6 February 2009, as well as the subsequent Document 4 of 3 March 2010, concerning information regarding business outlook, with especial regard to continuity of operation, financial risks, tests aimed at detecting impairment and uncertainties in the use of estimates, the Board of Directors confirms that they may reasonably expect that the companies and Group may continue to operate for the foreseeable future. Accordingly, the condensed consolidated half-year financial statements have been prepared on such a going-concern basis. The Board of Directors further affirm there are no factors or signs in the financial position or operating performance of the companies or Group that may represent causes of uncertainty on the subject of the going-concern principle.

For information regarding financial risks, tests aimed at detecting the impairment of assets and uncertainties in the use of estimates, reference should be made to the information provided in the specific section of the notes.

Outlook for the current year

The prospects for an economic recovery remain uncertain, with a moderate turnaround envisaged solely in 2014. For banks, this scenario will continue to condition the performance of operating margins, which will reflect the unfavourable operating conditions and, primarily, the intensification of credit risk, mitigated, in the case of the Banca Popolare di Cividale Group, by the significant provisions for credit risks already recognised in the first half of 2013.

Cividale del Friuli, 9 August 2013

The Board of Directors

Condensed consolidated half-year financial report
Financial statements

It should be noted that some comparative figures have been restated due to the retrospective application of the new accounting principle IAS 19 Employee Benefits.

Consolidated balance sheet

(figures in thousands of euro)

Balance sheet - Assets			30/06/2013		31/12/2012	%
10	Cash and cash equivalents		16.923		25.501	-33,6%
20	Financial assets held for trading		14.460		11.198	29,1%
40	Financial assets available for sale		1.403.045		1.393.365	0,7%
50	Invetments held to maturity		104.613		104.107	0,5%
60	Due from banks		230.828		383.227	-39,8%
70	Loans to customers		3.154.323		3.182.832	-0,9%
100	Investments in associates and companies subject to joint		7.321		8.635	-15,2%
120	Property and equipment		84.257		77.260	9,1%
130	Intangible assets		19.433		19.247	1,0%
	of which:					
	- goodwill	19.136		19.136		
140	Tax assets		56.370		42.115	33,8%
	a) current	4.596		10.635		
	b) deferred	51.774		31.480		
160	Other assets		52.412		39.082	34,1%
	Total assets		**5.143.984**		**5.286.569**	**-2,7%**

Balance sheet - Liabilities and shareholders' equity			30/06/2013		31/12/2012	%
10	Due to banks		977.196		970.236	0,7%
20	Due to customers		2.860.499		2.680.797	6,7%
30	Debt securities issued		888.828		1.107.135	-19,7%
40	Financial liabilities held for trading		1.614		2.073	-22,1%
60	Hedging derivatives		-		2.915	-100,0%
80	Tax liabilities		20.962		26.289	-20,3%
	a) current	16.690		14.425		
	b) deferred	4.272		11.864		
100	Other liabilities		93.353		92.922	0,5%
110	Employee termination benefits		5.810		5.647	2,9%
120	Provisions for risk and charges:		1.828		1.289	41,8%
	b) other provisions	1.828		1.289		
140	Valuation reserves		8.330		28.730	-71,0%
170	Reserves		46.794		63.752	-26,6%
180	Share premiums		196.529		196.529	0,0%
190	Share capital		50.783		50.783	0,0%
200	Treasury shares (-)		(8.133)		(9.740)	-16,5%
210	Minority interest (+/-)		23.312		57.659	-59,6%
220	Net income (loss) for the period (+/-)		(23.723)		9.553	-348,3%
	Total liabilities and shareholders' equity		**5.143.984**		**5.286.569**	**-2,7%**

Consolidated income statement

Consolidated income statement			30/06/2013		30/06/2012	%
10	Interest income and similar revenues		73.874		81.891	-9,8%
20	Interest expense and similar charges		(29.245)		(39.861)	-26,6%
30	**Net interest income**		**44.629**		**42.029**	**6,2%**
40	Commission income		15.299		14.093	8,6%
50	Commission expense		(3.342)		(3.013)	10,9%
60	**Net commission income**		**11.957**		**11.080**	**7,9%**
70	Dividends and similar income		925		755	22,5%
80	Net trading income		268		37	616,7%
90	Fair value adjustments in hedge accounting		(54)		383	114,1%
100	Profit (loss) on disposal or repurchase of:		35.228		7.241	386,5%
	a) loans	567		34		
	b) financial assets available for sale	36.066		7.091		
	d) financial liabilities	(1.405)		115		
120	**Total income**		**92.951**		**61.524**	**51,1%**
130	Charges/write-backs on impairment of:		(89.784)		(17.560)	411,3%
	a) loans	(81.878)		(17.354)		
	b) financial assets available for sale	(7.135)		(220)		
	d) other financial transactions	(771)		15		
140	**Net Financial income**		**3.167**		**43.964**	**-92,8%**
170	**Net income from financial and insurance operations**		**3.167**		**43.964**	**-92,8%**
180	G&A expenses:		(36.161)		(35.681)	1,3%
	a) personnel expenses	(20.518)		(20.991)		-2,3%
	b) other administrative expenses	(15.643)		(14.690)		6,5%
190	Net provisions for risks and charges		(539)		(429)	25,6%
200	Net impairment/write-backs on property, plant and equipment		(605)		(664)	-8,9%
210	Net impairment/write-backs on intangible assets		(132)		(128)	3,2%
220	Other operating income (expenses)		2.807		2.727	2,9%
230	**Operating cost**		**(34.629)**		**(34.175)**	**1,3%**
240	Profit (loss) on equity investments		(977)		56	-1849,0%
280	**Income (loss) before tax from continuing operations**		**(32.439)**		**9.845**	**-429,5%**
290	Tax on income from continuing operations		3.342		(4.984)	-167,0%
300	**Income (loss) after tax from continuing operations**		**(29.096)**		**4.862**	**-698,4%**
320	**Net income for the period**		**(29.096)**		**4.862**	**-698,4%**
330	Minority interest		5.373		1.589	238,2%
340	**Net income for the period attributable to the Parent company**		**(23.723)**		**6.451**	**-467,7%**

Consolidated statement of comprehensive income

		30/06/2013	30/06/2012
10	**NET INCOME (LOSS)**	**(29.096)**	**4.862**
	Other comprehensive income (net of tax)	-	-
20	Financial assets available for sale	(21.773)	7.364
30	Property and equipment	-	-
40	Intangible assets	-	-
50	Hedges of foreign investments:	-	-
60	Cash flow hedges:	-	-
70	Foreign exchange differences:	-	-
80	Non current assets held for sale:	-	-
90	Actuarial gains (losses) on defined benefit plans	85	-
100	Share of valuation reserves connected with investments carried at equity	-	-
110	**Total other comprehensive income**	**(21.688)**	**7.364**
120	**TOTAL COMPREHENSIVE INCOME**	**(50.785)**	**12.226**
130	**Total consolidated comprehensive income pertaining to minority interests**	**-**	**(1.017)**
140	**Total consolidated comprehensive income pertaining to the Parent Company**	**(50.785)**	**13.243**

Consolidated statement of changes in shareholders' equity

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

2012	Balance at 01/01/2012		Allocation of result for previous period			Changes during the year												Shareholders' equity at 30/06/2012	
			Reserves			Changes in reserves		Equity operations											
								New share issues		Purchase of treasury stock						Total comprehensive income for the period			
	Group	Minority interests	Group	Minority interests	Dividends and other uses	Group	Minority interests	Group	Minority interests	Group	Minority interests	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Group	Minority interests	Group	Minority interests
Share capital	**50.788**	**28.733**	-	-	-	-	- **24**	-	-	-	-	-	-	-	-	-	-	**50.788**	**28.709**
a) ordinary shares	50.788	28.733	-	-	-	-	(24)		-	-	-	-	-	-	-	-	-	50.788	28.709
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529**	**29.983**					**(1)**	-	-		-							**196.529**	**29.982**
Reserves	**63.280**	**1.386**	**228**	**(675)**	-	**29**	**(3)**	-	-	-	-	-	-	-	-	-	-	**63.537**	**707**
a) income	36.282	1.386	228	(675)		29	(3)	-	-	-	-	-	-	-	-	-	-	36.539	707
b) other	26.998	-						-	-	-	-	-	-	-	-	-	-	26.998	-
Valuation reserves:	**(1.580)**	**1.408**	-	-	-	**0**	- **0**	-	-	-	-	-	-	-	-	**6.794**	**571**	**5.214**	**1.980**
a) available for sale	(14.366)	(972)	-			0	(0)		-	-	-	-	-	-	-	6.794	571	(7.572)	(400)
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	12.786	2.380	-						-	-	-	-	-	-	-	-	-	12.786	2.380
Equity instruments	-	-																-	-
Treasury shares	-	-				-				**(6.317)**								**(6.317)**	-
a) of Parent Company	-	-	-	-	-		-	-	-	(6.317)	-	-	-	-	-	-	-	(6.317)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the pe	**8.731**	**(917)**	**447**		**(8.261)**	-	-	-	-	-	-	-	-	-	-	**6.451**	**(1.589)**	**6.451**	**(1.589)**
Shareholders' equity	**317.748**	**60.593**	**675**	**(675)**	**(8.261)**	**29**	**(29)**	-	-	**(6.317)**	-	-	-	-	-	**13.245**	**(1.017)**	**316.202**	**59.789**

Consolidated statement of cash flows

CONSOLIIDATED STATEMENT OF CASH FLOW				
OPERATING ACTIVITY	**30/06/2013**		**30/06/2012**	
1. Operations		**95.812**		**(52.596)**
- interest income received (+)	92.604		(7.596)	
- interest expense paid (-)	(12.899)		(33.592)	
- dividends and similar revenues	925		755	
- net commissions (+/-)	11.568		13.284	
- staff costs	(17.140)		(18.612)	
- other expenses (-)	(18.375)		(13.390)	
- other revenues (+)	39.003		6.260	
- taxes and duties (-)	126		294	
2. Liquidity generated/absorbed by financial assets: (+/-)		**40.918**		**55.868**
- financial assets held for trading	(3.262)		6.705	
- financial assets recognised at fair value	-		-	
- financial assets available for sale	(28.299)		(208.436)	
- loans to custumers	(73.439)		(34.599)	
- due from banks: repayable on demand	(228.528)		313.165	
- due from banks: other	384.432		(572)	
- other assets	(9.985)		(20.395)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(85.101)**		**90.663**
- due to banks: repayable on demand	962.810		(175.262)	
- due to banks: other	(968.994)		(1.222)	
- due to customers	177.291		517.231	
- securities issued	(219.097)		(290.449)	
- financial liabilities held for trading	(459)		734	
- financial liabilities recognized at fair value	-		-	
- other liabilities	(36.651)		39.632	
Net liquidity generated/absorbed by operating activity A (+/-)		**51.630**	**0**	**93.935**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**-**		**-**
- disposal of equity investments	-		-	
- dividends received on equity investments	-		-	
- disposal of financial assets held to maturity	-		-	
- disposal of property, plant and equipment	-		-	
- disposal of intangible assets	-		-	
- disposal of subsidiaries and business units	-		-	
2. Liquidity absorbed by: (-)		**(7.693)**		**(78.548)**
- purchase of equity investments	265		376	
- purchase of financial assets held to maturity	(506)		(73.250)	
- purchase of property, plant and equipment	(7.134)		(5.531)	
- purchase of intangible assets	(318)		(142)	
- purchase of subsidiaries and business units	-		-	
Net liquidity generated/absorbed by investing activity B (+/-)		**(7.693)**		**(78.548)**
FUNDING ACTIVITY				
- issue/purchase of own shares	(46.090)		(6.317)	
- issue/purchase of capital instruments	-		-	
- distribution of dividends and other uses	(6.425)		(7.576)	
Net liquidity generated/absorbed by funding activity C (+/-)		**(52.515)**		**(13.893)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +		**(8.578)**		**1.493**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	25.501	20.578
Total net liquidity generated/absorbed during the period D	-8.578	1.493
Cash and cash equivalents: effect of exchange rate changes F	0	0
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**16.923**	**22.072**

Notes

Accounting policies

Statement of compliance with international accounting standards

These condensed consolidated half-year financial statements have been prepared in condensed form pursuant to the prescriptions of IAS 34. Accordingly, they do not include all of the disclosures required in the annual consolidated financial statements and must be read in conjunction with those prepared as at 31 December 2012.

The accounting policies adopted are consistent with those adopted for the consolidated financial statements as at 31 December 2012, with the exception of the new standards, amendments and interpretations in effect from 1 January 2013.

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 2013, as limited to the cases of interest to the Group's business, for which an early application option was not exercised in previous years:

- Regulation No 475/2012 – Amendments to IAS 1 and IAS 19. The most significant change introduced relates to the elimination of the different accounting treatments permitted for the recognition of defined-benefit plans and the ensuing introduction of a single method calling for the immediate recognition in the statement of other comprehensive income of the actuarial gains or losses arising from measurement of the obligation. Previously, the Group had recognised the components of actuarial gains and/or losses associated with defined-benefit obligations on employee termination benefits systematically in the income statement among "Personnel expenses"; owing to the entry into force of the revised version of IAS 19, such components are now recognised among the "Valuation reserves" included in shareholders' equity and presented in the statement of comprehensive income, and thus without passing through the income statement. The comparative figures have been restated to account for the retrospective application required by the Standard.
- Regulation No 1255/2012 – IFRS 13 *Fair Value Measurement*.
- Regulation No 1256/2012 – Amendments to IFRS 7: *Financial Instruments: Disclosures* – Offsetting financial assets and financial liabilities, and to IAS 32: *Financial Instruments: Presentation* – Offsetting financial assets and financial liabilities.
- Regulation No 301/2013 – Improvements to International Financial Reporting Standards – 2009-2011 Cycle.

With the exception of IAS 19 Revised, the implementation of the aforementioned Regulations has not been found to have a material impact on the preparation of this half-year report. In fact, the amendments provide clarification of existing standards or present new disclosure requirements for interim or annual financial statements.

It should be noted, with regard to the amendments to the standards IAS 1 and IFRS 7, that there has been no change in the criteria for preparing the financial statements and that those amendments have not had any impact on the preparation of this interim report; rather, they introduce new disclosure obligations that are to be considered when preparing the financial statements at 31 December 2013 and following the update of Circular 262/05 by the Bank of Italy. It bears remarking that the elements with possible reversal to the income statement relate to available-for-sale financial statements, whereas the elements without reversal to the income statement refer to actuarial gains or losses on defined-benefit plans.

Finally, with respect to the standard IFRS 13, a series of activities was undertaken during the half-year and remain ongoing with the aim of verifying the need to introduce methodological refinements in the determination of the fair value of financial assets and financial liabilities to reach the best estimate of the price at which a regular transaction involving the sale of an asset or the transfer of a liability could take place on the basis of existing market conditions at the measurement date. For the disclosure required by the new Standard, which amended IAS 34 with respect to interim financial statements, please refer to the section of this report entitled "Disclosure concerning fair value."

General basis of preparation of the interim report on operations

The condensed consolidated half-year financial statements comprise the following documents, presented in euro: the balance sheet, income statement, statement of comprehensive income, statement

of changes in shareholders' equity, statement of cash flows and these notes. The notes have been presented in thousands of euro for certain items of the financial statements.
The condensed consolidated half-year financial statements for the six months ended 30 June 2013 are accompanied by certification by the manager responsible for preparing the financial reports in accordance with Article 154-*bis* of Italy's Consolidated Finance Act.
The condensed consolidated half-year financial statements have been subject to a limited audit by Reconta Ernst & Young S.p.A. under the contract awarded to the latter for the period 2010-2018.

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

With respect to Bank of Italy, Consob and ISVAP Document 2 of 6 February 2009, as well as the subsequent Document 4 of 3 March 2010, concerning disclosures to be provided in financial reports regarding business outlook, with especial regard to continuity of operation, financial risks, tests aimed at detecting impairment and uncertainties in the use of estimates, the Directors of Banca Popolare di Cividale confirm that they may reasonably expect that the Company and other Group companies may continue to operate for the foreseeable future. Accordingly, the financial report at 30 June 2013 has been prepared on such a going-concern basis. The Directors further confirm that they have not found any cause for doubt on the subject of the going-concern principle in the Group's financial position or operating performance.
Loans are classified and measured according to the customary conservative approach aimed at duly and properly capturing the consequences of the adverse development of the current economic scenario. The speed and extent of the exacerbation of the crisis have required constant revision of loans that previously showed signs of distress as well as those without any outward symptoms of deterioration. All classes of impaired loans have been measured according to the customary conservative approach, as witnessed by the average percent provision for non-performing exposures (58%) and substandard exposures (29%). Performing loans are collectively covered by provisions of more than €14,548 thousand, resulting in a coverage ratio of 0.52%.
In further detail, specific impairment tests have been conducted for equity investments, available-for-sale securities, intangible assets and goodwill on the basis of an analysis of the presence of indicators of impairment. Impairment losses have been determined by using the same methods and criteria as illustrated in the 2012 financial statements, to which the reader is therefore referred.
For further information concerning credit and financial risks, the reader is referred to the chapter on risk management.

Scope of consolidation and consolidation methods

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

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

The scope of consolidation and consolidation methods remain unchanged compared to those adopted in preparing the Group's annual consolidated financial statements for the year ended 31 December 2012, to which the reader is referred. The interest in Banca di Cividale S.p.A. increased to 93% due to the finalisation of the first part of the transaction functional to the corporate reorganisation that is to be completed during the current year.
The financial statements of the Parent Company and the other companies used to prepare these financial statements refer to 30 June 2013. In certain limited cases, the most recent available official data were used for insignificant equity investments. Where necessary – and only in cases of marginal significance – the financial statements of consolidated entities prepared in accordance with different accounting policies have been adjusted to comply with the Group's policies.

The following table presents the equity investments included within the scope of line-by-line consolidation in the condensed consolidated half-year financial statements for the period ended 30 June 2013.

Companies	Registered office	Type of relationship (1)	Equity investment Investor	% holding	% of votes (2)
A. Companies					
A. 1 Line-item consolidation					
Civileasing Srl	Udine	1	Banca Popolare di Cividale	100,00%	100,00%
Banca di Cividale S.p.A.	Cividale	1	Banca Popolare di Cividale	93,00%	93,00%
Tabogan Srl	Cividale	1	Banca Popolare di Cividale	100,00%	100,00%
Nordest banca S.p.A.	Udine	1	Banca Popolare di Cividale	55,32%	55,32%

Use of estimates and assumptions in preparing the condensed financial statements

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

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

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

Disclosure concerning fair value

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 defined as the price that would be collected for the sale of an asset or paid for the transfer of a liability in a regular transaction between market operators, under current conditions at the measurement date in the primary market or most advantageous market.

For the purposes of measuring fair value, the standard IFRS 13 defines a three-fold fair-value hierarchy based on whether market parameters are observable or unobservable:

- Level 1: inputs represented by (unmodified) prices quoted in active markets for identical assets or liabilities, to which access may be had at the measurement date;
- Level 2: inputs other than the quoted prices included in Level 1 that that are directly or indirectly observable for the assets and liabilities to be measured;
- Level 3: inputs that are not observable for the asset or liability.

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.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement method prospectively, without providing comparative information for the new financial statement disclosure. However, the change did not have any significant effect on the measurements of the Group’s assets and liabilities.

Accordingly, the following tables present the additional disclosures required by the new Standard.

Fair value hierarchy
Accounting portfolios: breakdown by fair value levels

	30/06/2013			31/12/2012		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	3.554	10.906	-	21	11.177	-
2. Financial assets designated at fair value through pr	-	-	-	-	-	-
3. Financial assets available for sale	1.326.072	6.208	70.765	1.295.617	27.055	70.693
4. Hedging derivatives	-	-	-	-	-	-
Total	**1.329.626**	**17.114**	**70.765**	**1.295.638**	**38.232**	**70.693**
1. Financial liabilities held for trading	-	1.614	-	-	2.073	-
2. Financial liabilities designated at fair value through p	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	2.915	-
Total	-	**1.614**	-	-	**4.988**	-

Carrying amounts and fair values of assets and liabilities measured at amortised cost

	30/06/2013		31/12/2012	
	vb	**fv**	**vb**	**fv**
HTM	104.613	108.035	104.107	104.107
Loans to customers	3.154.323	3.202.336	3.182.832	3.211.717
Due from banks	230.828	230.775	383.227	383.229
TOTAL ASSETS	**3.489.764**	**3.541.146**	**3.670.166**	**3.699.053**
Due to banks	977.196	977.196	970.236	970.236
Due to customers	2.860.499	2.859.825	2.680.797	2.680.042
Debt securities issued	888.828	888.828	1.107.135	1.107.135
TOTAL LIABILITIES	**4.726.523**	**4.725.849**	**4.758.168**	**4.757.413**

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

	FINANCIAL ASSETS			
	Held for trading	Designated at fair value through profit or loss	Available for sale	For hedging purposes
1. Opening balance	-	-	**70.693**	-
2. Increasese	-	-	**6.798**	-
2.1. Purchases	-	-	4.754	-
2.2. Gains recognised in:	-	-	-	-
2.2.1.Income statement	-	-	-	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' equity	X	X	2.020	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	24	-
3. Decreases	-	-	**6.726**	-
3.1. Sales	-	-	1	-
3.2. Redemptions	-	-	-	-
3.3 Losses recognized in:	-	-	-	-
3.3.1. Income statement	-	-	6.374	-
- of which capital losses	-	-	6.374	-
3.3.2. Shareholders' equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	351	-
4. Closing balance	-	-	**70.765**	-

During the first half of 2013, the Group did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39, or transfers involving financial assets or financial liabilities measured at level 3.
The Group 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.
This category included the shares of a real-estate fund the investment in which was acquired near the reporting date. Accordingly, it is believed that cost is the estimate best representative of the value of the investment and that it is not necessary to apply any adjustments to fair value that would require the use of unobservable measurement parameters.

Earnings results
The first six months of 2013 ended with a net loss of €23,723 thousand, compared to a net income of €6,451 thousand in the first half of the previous year.
As is customary, a condensed reclassified income statement has been prepared with the aim of permitting a more immediate reading of the results for the period. The analytical details of the reclassifications applied are supplied, in separate tables, among the appendices to the half-year report, as required by Consob.

INCOME STATEMENT DATA	30/06/2013	30/06/2012	Change %
Net interest income (including result of hedging)	44.575	42.412	5,1%
Net commissions	11.957	11.080	7,9%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	996	811	22,8%
Net trading income	268	37	623,0%
Gains (losses) from purchase/sale of loans and financial assets	35.228	7.241	386,5%
Other operating income (expenses) (4)	150	646	-76,8%
Operating income	**93.174**	**62.227**	**49,7%**
Personnel expenses	(20.518)	(20.991)	-2,3%
Other administrative expenses (2)	(12.986)	(12.609)	3,0%
Net impairment/write backs on property, plant and equipment and intangible as:	(737)	(792)	-7,0%
Operating cost	**(34.241)**	**(34.392)**	**-0,4%**
Income (loss) from operating	**58.933**	**27.835**	**111,7%**
Charges/write-backs on impairment of loans and other assets	(89.784)	(17.560)	411,3%
Charges/write-backs on impairment of goodwill and equity investments	(1.049)	-	100,0%
Net provisions for risks and charges	(539)	(429)	25,6%
Income (loss) before tax from continuing operations	**(32.439)**	**9.846**	**-429,5%**
Tax on income from continuing operations	3.342	(4.984)	-167,0%
Income (loss) after tax from continuing operations	**(29.096)**	**4.862**	**-698,4%**
Minority interest	5.373	1.589	238,1%
Net income for the period attributable to the parent company	**(23.723)**	**6.451**	**-467,7%**

Net operating revenues
The net operating revenues reported in the first half of 2013 amounted to €93,174 thousand, up by €31,039 thousand (+49.7%) compared to the first half of the previous year. Net interest income performed well, up by 5.1%, primarily owing to interest on government securities classified amongst available-for-sale financial assets. There was a significant increase in net income on the sale and repurchase of AFS assets, which came to €35,228 thousand compared to €7,241 thousand in June of the previous year.

Net interest income

	30/06/2013	30/06/2012	%
Relations with customers	39.055	45.455	-14,1%
Debt securities issued	(16.760)	(19.667)	14,8%
Certificates of deposit	(980)	(1.332)	26,4%
Differentials on hedging derivatives	66	380	-82,7%
Net income from customers	**21.381**	**24.836**	**-13,9%**
Financial assets AFS	16.982	13.675	24,2%
Financial assets HTF	203	263	-22,9%
Financial assets L&R	7.813	5.539	41,0%
Financial assets HTM	2.045	3.025	-32,4%
Capitalization policies	299	314	-4,8%
Financial assets	**27.342**	**22.816**	**19,8%**
Relations with banks	**(4.104)**	**(5.714)**	28,2%
Other net interest	**10**	**91**	-89,0%
Total net interest	**44.629**	**42.029**	**6,2%**
Net fair value changes in hedge relationships	(54)	383	**-114,1%**
Net interest income	**44.575**	**42.412**	**5,1%**

Net interest income, which remained the primary source of revenue, came to €44,575 thousand, up by 5.1% compared to the first half of 2012. The most significant increase was witnessed in the category “financial assets,” partly due to the contribution of government securities classified amongst available-for-sale financial assets. The net loss on hedging activity amounted to €53 thousand.

Dividends

	30/06/2013		30/06/2012		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	-	-	18	-	-100,0%
B. Financial assets available for sale	996	-	794	-	25,5%
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	(0)	X	(0)	X	0,0%
Total	**996**	-	**811**	-	22,8%

Net commission income

	30/06/2013	30/06/2012	%
Guarantees issued	564	570	-1,2%
Collection and payment services	756	704	7,5%
Current accounts	1.507	1.579	-4,6%
Commisions on credit facilities	3.514	3.595	-2,3%
Credit and debit cards	1.337	986	35,6%
Commercial banking activities	**7.678**	**7.435**	**3,3%**
Trading and placement of securities (including mutual funds)	2.320	1.809	28,3%
MEF's guarantees	(2.018)	(1.482)	36,1%
Currency dealing	313	355	-11,8%
Portfolio management	872	846	3,0%
Distribution of insurance products	569	236	140,6%
Other	-	0	0,0%
Management, intermediation and advisory services	**2.056**	**1.764**	**16,6%**
Other net fee and commission income	2.223	1.882	18,1%
Net fee and commission income	**11.957**	**11.080**	**7,9%**

Net commission income increased by 7.9% compared to the previous period. Commissions on credit facilities declined. Commissions on insurance products, credit cards, securities placement and asset management presented increases.

Net trading income (loss)

	30/06/2013	30/06/2012	%
Financial assets held for trading	256	856	-70%
Financial liabilities held for trading	-	-	-
Derivatives	8	(831)	101%
Net trading income/(loss) (interest rates, equity, foreign exchanges)	**264**	**24**	**992,2%**
Credit derivatives	-	-	-
Other financial assets and liabilities: exchange differences	4	13	-67%
Net trading income/(loss)	**268**	**37**	**619,4%**

Net trading income on includes gains and losses on the disposal of financial assets held for trading or available for sale, as well as unrealised capital gains and losses due to the measurement of financial assets held for trading at fair value.

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

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

Other operating income (expenses)

	30/06/2013	30/06/2012	%
Out-of-period expenses and reductions in assets	(463)	(289)	-60,3%
Total operating expenses	**(463)**	**(289)**	**-60,3%**
Other income - rentals and fees	58	40	45,0%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	198	180	10,1%
Out-of-period income and reductions in liabilities	357	715	-50,1%
Total operating income	**613**	**935**	**-34,5%**
Total operating income and expenses	**150**	**646**	**-76,8%**

Other operating income and expenses is a residual caption that includes income and expenses of various types. The caption does not include recoveries of expenses, taxes and duties, which have instead been deducted from administrative expenses in this income statement. The net balance as at 30 June 2013, €150 thousand, was down (73%) compared to the first half of the previous year.

Operating costs

	30/06/2013	30/06/2012	%
Wages and salaries	13.146	12.850	2,3%
Social security contributions	3.709	3.842	-3,5%
Other personnel expenses	3.664	4.299	-14,8%
Total personnel expenses	**20.518**	**20.991**	**-2,3%**
Information technology expenses	2.683	4.367	-38,6%
Real estate management costs	2.776	2.494	11,3%
General structure costs	2.668	2.594	2,9%
Professional, insurance and legal expenses	1.389	1.321	5,1%
Advertising	513	515	-0,3%
Outsourcing costs and other services provided by third parties	2.729	573	375,9%
Indirect personnel costs	652	643	1,4%
Recovery of expenses and charges	(579)	(260)	-122,7%
Indirect taxes and duties	2.809	2.284	23,0%
Recovery of indirect taxes and duties	(2.654)	(1.922)	-38,1%
Total other administrative expenses	**12.986**	**12.609**	**3,0%**
Net impairment/write-backs on property, plant and equipment	604	664	-9,0%
Net impairment/write-backs on intangible assets	133	128	3,8%
Total net impairments	**737**	**792**	**-6,9%**
Total operating costs	**34.241**	**34.392**	**-0,4%**

Personnel expenses fell from €20,991 thousand to €20,518 thousand (-2.3%). Other net administrative expenses increased from €12,517 thousand to €12,986 thousand (+3.7%). After net impairment of property and equipment and intangible assets of €737 thousand, total operating costs came to €34,241 thousand, down by 0.2% compared to the first half of 2012.

Net operating income

Net operating income stood at €58,933 thousand, up compared to 30 June 2012 (+111.7%).

Net impairment/write-backs on loans and other assets

	30/06/2013	30/06/2012	%
Non-performing loans	(33.878)	(7.317)	363,0%
Substandard and restructuring loans	(38.624)	(6.371)	506,3%
Past due	(6.890)	(3.397)	102,8%
Net impairment losses on loans	(2.487)	(269)	823,8%
Net adjustments to guarantees and commitments	**(81.879)**	**(17.354)**	**371,8%**
Net profit on disposal or repurchase	**(7.905)**	**(206)**	**3737,4%**
Net adjustments to loans	**-**	**-**	**-**
Total charges/write-backs	**(89.784)**	**(17.560)**	**411,3%**

The table presenting the breakdown of net impairment of non-performing loans shows that percent increase in impairment related primarily to non-performing positions. Such impairment was affected by the negative performance of individual companies' economic markets of reference, as well as the performance of the real-estate market, which exacerbated the assessment of the recoverability of collateral. It should also be emphasised that, as requested by the Bank of Italy in conjunction with its inspection, the Group adopted more prudential haircuts on collateral, resulting in significant adjustments to impairment losses.

Net impairment losses on bad positions came to €33,878 thousand, with a coverage ratio of 57.9%.

Net impairment losses on substandard and restructured loans came to €38,624 thousand, with a coverage ratio of 28%, whereas net impairment losses on past-due loans increased by €3,493 thousand, with a coverage ratio of 18.9%. The lump-sum charges on performing loans allowed a coverage ratio of 0.52% to be maintained.

Net provisions for risks and charges

	30/06/2013	30/06/2012	%
customer disputes	(294)	(29)	913,8%
revocatory actions	(245)	(400)	-38,8%
Other provisions	-	-	-
Total	**(539)**	**(429)**	**-25,6%**

Net provisions for risks and charges amounted to €539 thousand, largely attributable to allocations made for risks of claw-back suits notified during the half-year and complaints lodged by customers.

Income (Loss) before tax from continuing operations

The loss before tax from continuing operations stood at €32,438 thousand in the first half of 2013 (compared to income of €9,846 thousand for the six months ended 30 June 2012). This result was negatively affected by the increase in net impairment of loans and other assets, which overall was up by €72,224 thousand.

Tax on income from continuing operations

The provision for current and deferred taxes accrued in the first six months of 2013 came to a positive €3,342 thousand.

Net income (loss)

The consolidated net loss for the period amounted to €23,723 thousand.

Balance sheet aggregates

General aspects

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

Aggregations of captions involved:

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

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

Reclassified consolidated balance sheet

ASSETS	30/06/2013	31/12/2012	Change %
Cash and cash equivalents	16.923	25.501	-33,6%
Financial assets held for trading	14.460	11.198	29,1%
Financial assets available for sale	1.403.045	1.393.365	0,7%
Invetments held to maturity	104.613	104.107	0,5%
Due from banks	230.828	383.227	-39,8%
Loans to customers	3.154.323	3.182.832	-0,9%
Investments in associates and companies subject to joint	7.321	8.635	-15,2%
Property, plant and equipment and intangible assets (1)	103.690	96.507	7,4%
Other assets (2)	108.781	81.197	34,0%
Total assets	**5.143.984**	**5.286.569**	**-2,7%**

LIABILITIES	30/06/2013	31/12/2012	Change %
Due to banks	977.196	970.236	0,7%
Direct funding from customers (1)	3.749.328	3.787.932	-1,0%
Financial liabilities held for trading	1.614	2.073	-22,1%
Hedging derivatives	-	2.915	-100,0%
Other liabilities	114.316	119.212	-4,1%
Specific provisions (2)	7.638	6.936	10,1%
Shareholders' equity pertaining to minority interests	23.312	57.659	-59,6%
Shareholders' equity (3)	270.580	339.606	-20,3%
Total liabilities	**5.143.984**	**5.286.569**	**-2,7%**

Loans to customers

Loans to customers: composition

	30/6/2013				31/12/2012				Var.%
	Performing	Non - performing			Performing	Non - performing			
		Purchased	Other	% breakdown		Purchased	Other	% breakdown	
1. Current accounts	461.642	-	84.183	17%	493.514	-	83.934	18%	-5,5%
2. Repurchase agreements	72.242	-	-	2%	15.999	-	-	1%	351,5%
3. Mortgage loans	1.653.669	-	191.679	59%	1.683.378	-	193.210	59%	-1,7%
repaid by automatic deductions from wages	42.187	-	1.894	1%	41.331	-	1.351	1%	3,3%
5. Finance leases	262.893	-	69.195	11%	272.367	-	65.810	11%	-1,8%
6. Factoring	-	-	-	0%	-	-	-	0%	-
7. Other	300.124	-	14.616	10%	317.559	-	14.378	10%	-5,2%
8. Debt securities	-	-	-	0%	-	-	-	0%	-
8.1 structured	-	-	-	0%	-	-	-	0%	-
8.2 other debt securities	-	-	-	0%	-	-	-	0%	-
Total (carrying amount)	**2.792.756**	**-**	**361.567**	**100%**	**2.824.149**	**-**	**358.683**	**100%**	**-1%**

Loans to customers decreased by 1% compared to the figure for December 2012, reaching €3,154,323 thousand.

Loans to customers: credit quality

	30/6/2011		31/12/2010		Change
	Value	indic.%	Value	indic.%	%
Non - performing loans	136.981	4,3%	122.028	3,8%	12,3%
Substandard and restructured loans	156.294	5,0%	190.757	6,0%	-18,1%
Past due positions	68.291	2,2%	45.898	1,4%	48,8%
Total impaired assets	**361.567**	**11,5%**	**358.683**	**11,3%**	**0,8%**
Performing loans	2.792.756	88,5%	2.824.149	88,7%	-1,1%
Loans to customers	**3.154.323**	**100,0%**	**3.182.832**	**100,0%**	**-0,9%**

Total impaired assets stood at €361,567 thousand as at 30 June 2013, up by €2,884 thousand from the €358,683 thousand reported at the end of 2012 (+0.8%), with an increase in the weight of the impaired portfolio compared to total loans to customers of 7.5%. In particular, net non-performing loans increased, climbing from €122,028 thousand at the end of 2012 to the present €136,981 thousand. The incidence of non-performing loans remained essentially unchanged, with a coverage level of approximately 57.9%.

Substandard and restructured loans, which stood at €156,294 thousand, were down by 18.1%. As a percentage of total loans, substandard and restructured loans fell from 4.4% to 3.3%. The total coverage ratio rose from 13.7% to 28%.

Past-due positions stood at €68,291 thousand, up by 48.8%, with a corresponding increase as percentage of total loans from 1.1% to 1.4%. The coverage ratio for past-due positions came to 11.6%.

Collective adjustments amounted to €14,548 thousand, coming to an average of approximately 0.52% of the gross exposure to performing loans to customers. The coverage ratio is deemed appropriate to account for the risk level of regularly performing loans.

Customer financial assets

	30/6/2013		31/12/2012		% change
		% breakdown		% breakdown	
Direct funding	**3.749.327**	74%	**3.787.931**	73%	-1,0%
Assets under administration	811.998	15%	832.989	16%	-2,5%
Assets under management	533.231	10%	547.397	11%	-2,6%
Indirect funding	**1.345.230**	26%	**1.380.386**	27%	-2,5%
Customer financial assets	**5.094.557**	**100%**	**5.168.317**	**100%**	**-1,4%**

As at 30 June 2013, customer financial assets came to approximately €5,094,557 thousand, down by €73,760 thousand (-1.4%) compared to the beginning of the year.

Direct funding

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

	30/6/2012		31/12/2012		% change
		% breakdown		% breakdow	
Current accounts and deposits	1.548.502	41%	1.425.537	38%	8,6%
Repurchase agreements and securities lending	1.271.445	34%	1.215.868	32%	4,6%
Bonds	750.788	20%	973.001	26%	-22,8%
Certificates of deposit	85.084	2%	79.077	2%	7,6%
Subordinated liabilities	52.956	1%	55.057	1%	-3,8%
Other deposits	40.552	1%	39.391	1%	2,9%
Total direct funding	**3.749.327**	**100%**	**3.787.931**	**100%**	**-1,0%**

Direct funding consists primarily of current accounts and deposits (41%), up by 8.6%, as well as repurchase agreements (34%), also up compared to December 2012 (4.6%). Repurchase agreements include €1,265 million in transactions with the counterparty CCG.

Bonds

In the first six months of 2013, the Bank issued and placed a total of six new bonds, for a total par value of €99.2 million.
As at 30 June 2013, the amount issued came to €1,946.4 million. Net of repurchases of €910.3 million and bonds carried amongst the assets of other Group companies of €329.6 million, the total amount circulating amongst third parties thus came to €706.5 million.

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

	30/6/2013		31/12/2012		% change
		% breakdown		% breakdown	
Mutual Funds	252.496	19%	246.272	18%	2,5%
Portfolio management	212.996	16%	224.333	16%	-5,1%
Life technical reserves and financial liabilities	67.739	5%	76.792	6%	-11,8%
Assets under management	**533.231**	**40%**	**547.397**	**40%**	**-2,6%**
Assets under administration	**811.998**	**60%**	**832.989**	**60%**	**-2,5%**
Indirect funding	**1.345.230**	**100%**	**1.380.386**	**100%**	**-2,5%**

Indirect funding, consisting of assets under management or administration by the Company, came to €1,345,230 thousand as at 30 June 2013, down by €35,156 thousand or -2.5% compared to the end of 2012.
In further detail, “Assets under administration” stood at €811,998 thousand at the end of the half-year, down by €20,991 thousand (-2.5%) compared to the end of the previous year.
“Assets under management” also declined, decreasing by €14,166 thousand (-2.6%).

Financial assets/liabilities held for trading

	30/6/2013		31/12/2012		% change
		% breakdown		% breakdow	
Trading derivatives - Assets	2.431	19%	2.177	24%	11,7%
Property titles	12.030	94%	9.021	99%	33,4%
Financial assets held for trading	**14.460**	**113%**	**11.198**	**123%**	**29,1%**
Trading derivatives - Liabilities	1.614	13%	2.073	23%	-22,1%
Financial liabilities held for trading	**1.614**	**13%**	**2.073**	**23%**	**-22,1%**
Net financial assets and liabilities	**12.846**	**100%**	**9.125**	**100%**	**40,8%**

Net financial assets held for trading – designated at fair value through the income statement – came to €12,846 thousand net of financial liabilities held for trading, up by €3,721 thousand compared to the end of 2012 (+40.8%).

Financial assets available for sale
Financial assets available for sale totalled €1,403,045 thousand, up by 0.7% compared to 2012. The equity interests included in the aggregate remained below the control/significant influence threshold.
As required by international accounting standards, financial assets available for sale are tested for impairment to determine whether there is objective evidence that the carrying amounts of such assets may not be fully recoverable. The impairment testing process involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses. Impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for listed equities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of €7,135 thousand.

	30/6/2013		31/12/2012		% change
Goverments bonds	1.234.033	88,0%	1.079.787	77,5%	14,28%
Bonds and other debt securities	112.778	8,0%	236.628	17,0%	-52,34%
Equities and quotas of mutual funds	56.234	4,0%	76.950	5,5%	-26,92%
Financial assets available for sale	**1.403.045**	**100%**	**1.393.365**	**100%**	**0,7%**

Exposure to sovereign debt securities

Following the growing interest by the market in exposures held by companies in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in document no. 2011/226, below is a breakdown of exposures of this nature held by the Banca Popolare di Cividale Group as at 30 June 2013. As indicated in the ESMA document, "sovereign debt" is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

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

Exposure to sovereign debt - book value	Italy	Argentina	Ue
Financial assets available for trading			
- Debt securities	12.515	-	-
Financial assets available for sale			
- Debt securities	1.233.534	499	-
Financial assets held to maturity			
- Debt securities	88.245	-	-
Total	**1.334.294**	**499**	**-**

Net interbank position

Interbank position	30/06/2013	31/12/2012	VAR	Change %
Cash and cash equivalents	16.923	25.501	(8.578)	-33,6%
Loans to banks	230.828	383.227	(152.399)	-39,8%
Due to banks	(977.196)	(970.236)	(6.960)	0,7%
NET INTERBANK POSITION	**(729.445)**	**(561.508)**	**(167.938)**	**29,9%**

Net interbank position stood at net borrowings of €729,445 thousand due to the decrease in loans to banks (-€152,399 thousand).

Changes in provisions for risks and charges

	Revocatory actions	Customer disputes	Other provisions	Total
A. Opening balance	**859**	**430**	**-**	**1.289**
B. Increases	**245**	**351**	**-**	**596**
B.1 Provision for the year	245	351	-	596
B.2 Changes due to time	-	-	-	-
B.2 Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases	**-**	**57**	**-**	**57**
C.1 Use during the year	-	57	-	57
C.2 Changes due to changes in the discount rate	-	-	-	-
C3. Other changes	-	-	-	-
D. Closing balance	**1.104**	**724**	**-**	**1.828**

The provision for risks and charges increased by €539 thousand during the half-year due to the effect of accruals for risks associated with claw-back suits and complaints.

Shareholders' equity attributable to the Group
The Group's shareholders' equity stood at €270,581 thousand as at 30 June 2013.

Dividends distributed
During the period, dividends of €6,424,717 were distributed to shareholders.

Earnings per share
The methods of calculating basic earnings per share and diluted earnings per share are defined by IAS 33 *Earnings per Share*. Basic earnings per share is defined as the relationship between the net income attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share reflect 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.
During the half-year, the Group reported a loss, and accordingly earnings per share were not determined.

Valuation reserves
At 30 June 2013, valuation reserves presented a net decrease of €20,400 thousand compared to the end of the previous year, primarily attributable to the decrease in the valuation reserve for available-for-sale financial assets.

Regulatory capital
Regulatory capital stood at €276,756 thousand at 30 June 2013, down compared to 31 December 2013 owing to the loss for the period as well as the repurchase of the equity investment held by Creval in Banca di Cividale S.p.A., acquired in its entirety in the first half of 2013 for the purposes of determining capital ratios.
The level of regulatory capital ensures compliance with capital requirements under applicable regulations by a wide margin.

	30/6/2013	31/12/2012	%
A. Tier 1 capital before the application of prudential filters	**237.781**	**338.750**	**-29,8%**
B. Tier 1 capital prudential filters:	(231)	-	-
- positive IAS/IFRS prudential filters (+)	3	-	-
- negative IAS/IFRS prudential filters (-)	(234)	-	-
C. Tier 1 capital after prudential filters (A+B)	**237.550**	**338.750**	**-29,9%**
D. Elements to deduct from Tier 1 capital	**(14.911)**	**(12.139)**	**22,8%**
E. Total Tier 1 capital (C-D)	**222.639**	**326.611**	**-31,8%**
F. Tier 2 capital before the application of prudential filters	**69.934**	**69.083**	**1,2%**
G. Tier 2 capital prudential filters	**(906)**	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(906)	-	-
H. Tier 2 capital before deductions (G+F)	**69.028**	**69.083**	**-0,1%**
I. Elements to deduct from Tier 2 capital	**(14.911)**	**(12.139)**	22,8%
L. Total Tier 2 capital (H-I)	**54.117**	**56.944**	**-5,0%**
M. Elements to deduct from Tier 1 and Tier 2 capital	-	-	-
N. Regulatory capital (E+L-M)	**276.756**	**383.555**	**-27,8%**
O. Tier 3 capital	-	-	-
P. Regulatory capital included Tier 3 (N+O)	**276.756**	**383.555**	**-27,8%**

Capital adequacy
The Banca Popolare di Cividale Group has exceeded its regulatory capital adequacy requirements. As at 30 June 2013, the ratio of tier 1 capital to risk-weighted assets stood at 8.0%, whereas the ratio of total regulatory capital to risk-weighted assets came to 10.0%.

	Unweighted amounts		Weighted amounts / requirements	
	30/06/13	31/12/12	30/06/13	31/12/12
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**6.979.547**	**7.139.328**	**2.557.696**	**2.726.042**
1. Standard methodology	**6.979.547**	**7.139.328**	**2.557.696**	**2.726.042**
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS			**221.836**	**235.238**
B.1 CREDIT AND COUNTERPARTY RISK	**X**	**X**	**204.616**	**218.083**
B.2 MARKET RISK	**X**	**X**	**866**	**801**
1. Standard methodology	X	X	866	801
2. Internal models	X	X		
3. Concentration risk	X	X	-	-
B.3 OPERATIONAL RISK	**X**	**X**	**16.354**	**16.354**
1. Base methodology	X	X	16.354	16.354
2. Standard methodology	X	X		
3. Advanced methodology	X	X		
B.4 Other capital requirements	**X**	**X**		-
B.5 Other calculation elements	**X**	**X**		-
B.6 Total capital requirements			**166.377**	**176.429**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**		
C.1 Risk-weighted assets	X	X	**2.772.952**	**2.940.478**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	X	X	8,0%	11,1%
C.3 Total capital / Risk weighted assets (Total capital ratio)	X	X	10,0%	13,0%

Risk management and monitoring

Risk management

Identification of the risks to which the Group is potentially exposed represents the essential foundation for an informed assumption and effective management of such risks. Management of the various risk profiles, according to a prudent approach implemented within a precise organisational framework, aims to contain the volatility of expected results.

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

However, considering its retail operations, the Group is mainly exposed to credit risk.

Credit risk

Credit risk has traditionally (and even more so in this complex scenario) given rise to most of the provisions and losses recognised through the income statement. In the first half of 2013, the Banca Popolare di Cividale Group recognised impairment losses on loans of significant amounts owing to the application of more prudential haircuts to the value of collateral, in line with the indications received from the supervisory authority during a recently concluded inspection. On the one hand, those provisions allowed the Group to position itself at a significantly higher coverage level for problem loans than in previous years, while on the other they also severely influenced the net loss for the period ended 30 June 2013.

The disbursal of loans in support of the economic development of the Group's area of reference remains one of the key factors steering company strategies and is conducted by selecting individual borrowers by analysing creditworthiness with the aim of minimising the risk of default, while giving priority to lending for commercial purposes or for new productive investments, rather than merely financial initiatives.

The credit risk assessment and management process assesses the full range of traditional quantitative (income components, financial analysis and internal and systemic performance data) and qualitative factors (extensive knowledge of customers and the competitive environment in which they operate, as well as sector analysis).

Internal control of credit risk is performed through specific periodic reports with the aim of monitoring and measuring the level of credit risk associated with the portfolio. On the basis of the data provided by the Central Risks Database and general records database, reports analyse: the credit quality of the loan portfolio, with a breakdown by risk class, performance and sector allocation, concentration and distribution by rating class.

The following table presents on-balance sheet exposures to customers as at 30 June 2013 (in thousands of euro):

A. ON-BALANCE-SHEET EXPOSURES	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging
A.1 Bank Group					
a) Bad debts	325.713	188.732	X	136.981	57,94%
b) Substandard loans	187.230	55.164	X	132.065	29,46%
c) Restructured positions	29.864	5.635	X	24.229	18,87%
d) Past due positions	77.214	8.922	X	68.291	11,56%
e) Country risk	-	X	-	-	-
f) Other assets	2.807.304	X	14.548	2.792.756	0,52%
TOTAL A.1	**3.427.325**	**258.454**	**14.548**	**3.154.323**	**7,97%**

Market risks

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

The investment policies pursued by the Group resulted in the retention of a significant amount of bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity reserve. Most of the securities concerned have been included among assets available for sale. At the same time,

the extremely limited size of the portfolios classified among assets held for trading means that the exposure to price risk associated with the securities held in those portfolios is virtually negligible.
Both analytical models (determination of the duration of the bond portfolio for interest-rate risk exposure) and information available from the major info-providers are used to measure risks.

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

Liquidity risk
Liquidity risk is a risk intrinsic to banking operations inasmuch as it is not attributable to specific captions 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.
Containment of exposure to liquidity risk is primarily pursued through a diverse set of managerial choices and safeguards of an organisational nature, including diversification of sources of funding, in terms of technical forms as well as counterparties and markets; the possession of highly liquid assets eligible for use as collateral in financing transactions or directly available for sale in situations of tension, also including securities arising from transactions involving the securitisation of the Group’s assets; and the adoption of a specific Liquidity Policy, which includes the preparation and periodic updating of a Contingency Funding Plan.
Risk mitigation instruments include monitoring liquidity through daily reporting aimed at monitoring liquidity (a maturity ladder with a time horizon of up 12 months) and a liquidity report that also includes analyses of a structural nature.

Operational risk
Operational risk management is one component of the integrated risk management strategy that aims at containing the total risk level, including by preventing such risks from propagating and transforming. In line with supervisory regulations, the Group identifies operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
The approach adopted for managing operational risks involves the combined use of internal operating loss figures and, thanks to participation in the Italian Operating Loss Database, data concerning the performance of operating losses within the Italian banking system by business line and sales channel.
The containment of risk is pursued through ongoing implementation of the system of controls across three distinct levels (line, risks and internal auditing). In accordance with company practice, auditing activity is aimed at identifying corrective measures and initiatives that also seek to reduce exposure to operational risks.
In addition, the Group has implemented a business continuity plan that sets out the principles, establishes the objectives and describes the procedures for managing all the corrective actions for reducing losses resulting from accidents or disasters to an acceptable level.

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; it includes risk associated with equity investments. By laying down the Strategic Plan and conducting annual planning, the Group places itself in a position to prevent certain interdependent events or risk factors from translating into inadequately considered threats or missed opportunities, thereby effectively influencing the Group’s ability to compete and hence its earning capacity.

Reputational risk
Reputational risk is the current or prospective risk of a decline in net income or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank.

Compliance risk
Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes).
The Compliance function identifies and assesses the main risks associated with compliance with consumer-protection and financial intermediation legislation. From an organisational standpoint, it is a part of the Compliance Service, which is also responsible for compliance with money-laundering prevention legislation and oversees the process of reporting suspicious transactions. The function also conducts ex-ante analyses and reviews of the application of the new supervisory directives concerning subjects such as banking transparency and the prevention of usury, as well as the management of complaints from customers and relations with the Banking and Financial Arbitrator.

Banking risks and capital: ICAAP
In order to fulfil its obligations under the "third pillar" of Basel II, the Group published a *Public Disclosure* document on its website in April 2013. This document, drafted by the Parent Company at the consolidated level, provides as thorough as possible a set of elements for evaluating the Group's capital adequacy, risk exposure and risk management and control systems.
The contents of the *Public Disclosure* reflect those of the *ICAAP Report* concerning the internal capital adequacy assessment process that banks are required to conduct annually to determine and assess their own capital adequacy on a current and prospective basis for the risks assumed and business strategies employed.

Legal risks
Risks connected with legal disputes in which the Group banks or companies are involved are constantly monitored by the Parent Company and by the individual banks and companies affected. If a legal and accounting analysis suggests an adverse outcome with a likely liability for damages, the Group makes as reliable an estimate of damages as possible and allocates a provision as a precaution.

Disputes involving revocatory actions
The recent bankruptcy reform, later amended by the so-called "corrective degree," certainly limited the scope of the action performed by receivers pursuant to Article 67 of the Bankruptcy Law. However, there are still a number of revocatory actions governed by the pre-reform law, as provided for under the transitional regulations. In these cases, the Group uses careful, considered negotiations founded upon a thorough analysis of the actual assumptions on which the action is based, i.e. the satisfaction of both subjective and objective elements. Specifically, the Bank usually performs preventive accounting assessments to determine the amount of risk and to make the necessary prudent provisions.

Internal control system
The issue is of central importance to management of the Group; especial attention is devoted to the matter with the aim of ensuring that the system complies with legislative requirements, the changing market scenario and entry into new business segments. The internal control system is defined, in accordance with supervisory provisions, as the set of rules, procedures and organisational structures that aim to ensure that company strategies are implemented and the following goals are achieved:

- the effectiveness and efficiency of Company processes;
- the safeguarding of asset value and protection from losses;
- the reliability and integrity of accounting and management information; and
- transaction compliance with laws and supervisory regulations as well as policies, plans, procedures and internal regulations.

As part of its consolidated guidance function for the entire Group, the Parent Company is engaged in:

- monitoring the strategic evolution of the various business segments, with a particular emphasis on reviewing the risks assumed by the various subsidiaries;

- management control, aimed at ensuring that balance continues to be maintained in terms of technical management profiles in the areas of the earnings, capitalisation and financial position of the various entities and the Group as a whole; and
- operational control aimed at evaluating the various risk profiles contributed by individual subsidiaries.

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

Integrated risk measurement and control functions are concentrated within the Parent Company's Risk Management function, which is autonomous and independent of the other business units, inasmuch as it reports hierarchically to the general manager. Specific management committees are organised in accordance with the various risk profiles (Group Credit Committee and Asset and Liability Committee) and instituted under the Group's organisational model with the 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.

For a description of the overall structure of the Internal Control System, please refer to Company's website at the address http://www.civibank.it.

Transactions with related parties

Introduction

Transactions with related parties are primarily governed by Article 2391-*bis* of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in accordance with the general principles indicated by Consob, to adopt rules that ensure the "transparency and substantial and procedural propriety of related-party transactions" undertaken directly or through subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders' meeting.
By resolution 17221 of 12 March 2010, exercising the authority delegated to it under Article 2391-*bis* of the Italian Civil Code, Consob approved the *Regulations for Transactions with Related Parties* (also referred to hereinafter as the "Consob Regulations"), subsequently amended by resolution 17389 of 23 June 2010, which set out the general principles to be observed by companies that obtain funding from the risk-capital market when setting rules aimed at ensuring the transparency and substantive and procedural propriety of transactions with related parties.
In relation to its specific activity, the company is also subject to the provisions of Article 136 of the Consolidated Banking Act governing the obligations of bank officers.
On 12 December 2011 the Bank of Italy issued the ninth update to Circular 263 of 27 December 2006 (also referred to hereinafter as the "Bank of Italy Regulations"), which introduces new provisions governing the prudential supervision of banks that envisage, inter alia, specific new rules applicable to risk assets and conflicts of interest in relation to associated parties, a category that includes not only related parties, as defined by Consob, but also parties connected to such related parties, as identified by those same provisions. Accordingly, the above rules supplement the provisions of the Consob Regulations.
The procedures adopted by the Group in observance of the regulatory provisions mentioned above are described in a specific section of the interim report on operations.

Information on the compensation of directors and management

The following table reports the compensation of the directors, executives and other managers with strategic responsibilities of the Parent Company and other Group companies.

Thousands of euro

	Monetary remuneration	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Share-based payments
Directors	423	-	-	-	-
Senior managers	852	51	50	-	-
Executives	293	15	16	-	-
Total	**1.568**	**66**	**66**	**-**	**-**

During the year, remuneration totalling €129 thousand accrued to members of the Board of Statutory Auditors.

Information on transactions with related parties

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

- subsidiaries: companies over which Banca Popolare di Cividale S.c.p.A. directly or indirectly exercises control, as defined in IAS 27;
- associated companies: companies over which Banca Popolare di Cividale S.c.p.A directly or indirectly exercises a significant influence, as defined in IAS 28;
- joint ventures: companies over which Banca Popolare di Cividale S.c.p.A. directly or indirectly exercises joint control, as defined in IAS 31;
- managers with strategic responsibilities and control bodies: 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 Deputy 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 table.

	SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER	% WEIGHT
Assets					
Loans to banks	-	-	-	-	-
Loans to customers	-	12.078	2.715	16.298	0,99%
Liabilities					
Due to banks	-	-	-	-	-
Due to customers	-	1.503	5.579	2.503	0,28%
Income statement					
Net interest income	-	125	248	(4)	0,87%
Net commission income	-	9	23	17	0,44%
Other revenues	-	-	-	-	-
Administrative expenses	-	-	(1.698)	-	5,07%
Guarantees and commitments		**-**	**-**	**497**	**0,20%**
Indirect funding	-	-	10.180	5.190	1,09%

Segment reporting

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

Criteria for identifying and aggregating operating segments

In application of IFRS 8, the Group has identified operating segments on the basis of the corporate perimeters of the individual entities that comprise the Group. For disclosure purposes, the following operating segments have been grouped into disclosure sectors:

- ***Retail and Businesses***, the segment focused on the traditional banking business (primarily mortgage and medium-/long-term loans) that includes Banca di Cividale S.p.A. and NordEst Banca S.p.A.;
- ***Leasing***, the lease segment that includes the Group's leasing company, Civileasing; and
- ***Corporate Centre and Other***, consisting of the Parent Company, Banca Popolare di Cividale, which provides governance and support, ALM, proprietary and investment portfolio management, centralised treasury and foreign exchange operations, bond issuance, and capital management and funding for the entire Group. It also includes service and real-estate companies (Tabogan S.p.A.).

  All consolidation entries not specifically attributable to the other business segments have been allocated to this residual segment.

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

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

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

Segment results – Income-statement data

	30/06/2013				30/06/2012			
INCOME STATEMENT DATA	LEASING	ETAIL & COMPANIE	CORPORATE CENTER	TOTAL	LEASING	ETAIL & COMPANIE	CORPORATE CENTER	TOTAL
Net interest income (including result of hedging)	2.886	28.711	12.978	44.575	2.507	29.531	10.374	42.412
Net commissions	(162)	13.212	(1.093)	11.957	(80)	12.536	(1.377)	11.080
Dividends and net income (loss) of equity investments accounted for	-	37	959	996	-	1	810	811
Net trading income	-	221	47	268	-	71	(34)	37
Gains (losses) from purchase/sale of loans and financial assets	(513)	(313)	36.054	35.228	64	636	6.541	7.241
Other operating income (expenses) (4)	242	388	(480)	150	170	754	(371)	554
Operating income	**2.454**	**42.255**	**48.465**	**93.174**	**2.661**	**43.530**	**15.944**	**62.135**
Personnel expenses	(559)	(15.663)	(4.296)	(20.518)	(459)	(16.145)	(4.388)	(20.991)
Other administrative expenses (2)	(491)	(13.809)	1.314	(12.986)	(357)	(15.008)	2.848	(12.517)
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(43)	(587)	(107)	(737)	(41)	(641)	(110)	(792)
Operating cost	**(1.092)**	**(30.060)**	**(3.089)**	**(34.241)**	**(856)**	**(31.794)**	**(1.650)**	**(34.299)**
Income (loss) from operating	**1.362**	**12.196**	**45.375**	**58.933**	**1.805**	**11.736**	**14.294**	**27.835**
Charges/write-backs on impairment of loans and other assets	(3.706)	(80.702)	(5.376)	(89.784)	(1.473)	(15.620)	(466)	(17.560)
Charges/write-backs on impairment of goodwill and equity investments	-	-	(1.049)	(1.049)	-	-	-	-
Net provisions for risks and charges	-	(539)	-	(539)	-	(429)	-	(429)
Profit (loss) on equity investments	-	-	-	-	-	-	-	-
Income (loss) before tax from continuing operations	**(2.343)**	**(69.045)**	**38.950**	**(32.438)**	**332**	**(4.314)**	**13.828**	**9.846**
Tax on income from continuing operations	535	17.005	(14.199)	3.342	(189)	(316)	(4.478)	(4.984)
Minority interest	-	5.373	-	5.373	-	1.589	-	1.589
Net income for the period	**(1.808)**	**(46.667)**	**24.752**	**(23.723)**	**143**	**(3.041)**	**9.349**	**6.451**

Segment results – Balance-sheet data

ASSETS	30/06/2013				31/12/2012			
	LEASING	RETAIL & COMPANIES	CORPORATE CENTER	TOTAL	LEASING	RETAIL & COMPANIES	CORPORATE CENTER	TOTAL
Financial assets held for trading	-	6.100	8.360	14.460	-	6.437	4.761	11.198
Financial assets available for sale	18	51.068	1.351.960	1.403.045	18	55.296	1.338.051	1.393.365
Financial assets held to maturity	-	-	104.613	104.613	-	-	104.107	104.107
Due from banks	1.745	229.083	-	230.828	2.922	87.972	292.333	383.227
Loans to customers	332.088	2.323.979	498.256	3.154.323	338.177	2.389.250	455.405	3.182.832

LIABILITIES	30/06/2013				31/12/2012			
	LEASING	RETAIL & COMPANIES	CORPORATE CENTER	TOTAL	LEASING	RETAIL & COMPANIES	CORPORATE CENTER	TOTAL
Due to banks	305.789	513.530	157.878	977.196	306.424	(86.541)	750.353	970.236
Due to customers	2.475	1.588.425	1.269.599	2.860.499	5.195	1.488.800	1.186.802	2.680.797
Debt securities issued	-	716.140	172.688	888.828	-	1.106.685	450	1.107.135

Certification of the condensed consolidated half-year financial statements pursuant to Article 81-*ter* of Consob Regulation 11971 of 14 May 1999

1. We, the undersigned, Lorenzo Pelizzo, in the capacity of Chairman of the Board of Directors, and Gabriele Rosin, in the capacity of manager responsible for the preparation of financial reports, of Banca Popolare di Cividale S.c.p.A., do hereby certify, pursuant to Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures used to prepare the consolidated financial statements during the period 1 January – 30 June 2013:

- were adequate with respect to the characteristics of the enterprise; and
- were effectively applied.

2. Our review of the adequacy and effective application of the administrative and accounting procedures used to prepare the interim condensed consolidated half-yearly financial statements as at 30 June 2013 was based on a model established by Banca Popolare di Cividale S.p.A. in accordance with the *Internal Control – Integrated Framework (CoSO)* and the *Control Objectives for Information and Related Technologies (COBIT)*, which represent generally accepted international standards of reference for the internal control system and financial reporting in particular.

3. Furthermore, we do hereby certify that:

3.1. the consolidated financial statements

a) have been prepared in accordance with the applicable international accounting principles endorsed by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002;
b) correspond to the results of accounting books and records; and
c) are suited to furnishing a true and fair representation of the financial performance and financial position of the issuer and the set of enterprises within the scope of consolidation.

3.2 The interim report on operations includes a reliable analysis of the most significant events that occurred during the first six months of the year and their effects on the interim condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties to which the Group will be exposed in the remaining six months of the year. The interim report on operations also includes a reliable analysis of the disclosure of significant related party transactions

Cividale del Friuli, 9 August 2013

The Chairman of the Board of Directors	Manager responsible for financial reports
Lorenzo Pelizzo	Gabriele Rosin
[signed]	[signed]

Independent Auditors' Report

Building a better working world

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

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

1. We have reviewed the interim condensed consolidated financial statements of Banca Popolare di Cividale S.c.p.A. and its subsidiaries (the "Banca Popolare di Cividale Group") as of June 30, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. Management of Banca Popolare di Cividale S.c.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

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

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made respectively to our reports issued on April 9, 2013 and on August 30, 2012.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Popolare di Cividale Group as of June 30, 2013 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, September 19, 2013

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

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Reconciliation between the consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2013	31/12/2012
Cash and cash equivalents	10 - Cash and cash equivalents	16.923	25.501
Financial assets held for trading	20 - Financial assets held for trading	14.460	11.198
Financial assets available for sale	40 - Financial assets available for sale	1.403.045	1.393.365
Financial assets held to maturity	50 - Invetments held to maturity	104.613	104.107
Due from banks	60 - Due from banks	230.828	383.227
Loans to customers	70 - Loans to customers	3.154.323	3.182.832
Hedging derivatives	80 - Hedging derivatives	-	-
Equity investments	100 - Investments in associates and companies subject to joint	7.321	8.635
Property and equipment and intangible assets	120 - Property and equipment	84.257	77.260
	130 - Intangible assets	19.433	19.247
Other assets	140 - Tax assets	56.370	42.115
	150 - Non-current assets held for sale and discontinued operations	-	-
	160 - Other assets	52.412	39.082
Total assets		**5.143.984**	**5.286.569**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2013	31/12/2012
Due to banks	10 - Due to banks	977.196	970.236
Direct funding from customers	20 - Due to customers	2.860.499	2.680.797
	30 - Debt securities issued	888.828	1.107.135
Financial liabilities held for trading	40 - Financial liabilities held for trading	1.614	2.073
Hedging derivatives	60 - Hedging derivatives	-	2.915
Other liabilities	80 - Tax liabilities	20.962	26.289
	90 - Liabilities associated with discontinued operations	-	-
	100 - Other liabilities	93.354	92.923
Specific provisions	110 - Employee termination benefits	5.810	5.647
	120 - Provisions for risk and charges:	1.828	1.289
Shareholders' equity pertaining to minority interests	210 - Minority interest (+/-)	23.312	57.659
Shareholders' equity	140 - Valuation reserves	8.330	28.730
	170 - Reserves	46.794	63.752
	180 - Share premiums	196.529	196.529
	190 - Share capital	50.783	50.783
	200 - Treasury shares (-)	(8.133)	(9.740)
	220 - Net income (loss) for the period (+/-)	(23.723)	9.553
Total liabilities		**5.143.984**	**5.286.569**

Reconciliation between consolidated income statement and reclassified consolidated income statement

RECLASSIFIED INCOME STATEMENT	Consolidated income statement	30/06/2013	30/06/2012
Net interest income (including result of hedging)	30 - Net interest income	44.629	42.029
	90 - Fair value adjustments in hedge accounting	(54)	383
Total Net interest income (including result of hedging)		**44.575**	**42.412**
Dividends and net income (loss) of equity investments accounted for using equity method	70 - Dividends and similar income	925	755
	240 - Profit (loss) on equity investments	71	56
	270 - Profit (loss) on disposal of investments	-	-
Total Dividends and net income (loss) of equity investments accounted for using equity method		**996**	**811**
Net commissions	60 - Net commission income	**11.957**	**11.080**
Other operating income (net of recovered expenses)	220 - Other operating income (expenses)	2.807	2.727
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(2.657)	(2.081)
Total Other operating income (net of recovered expenses)		**150**	**646**
Net trading income	80 - Net trading income	**268**	**37**
Gains (losses) from purchase/sale of loans and financial assets	100 - Profit (loss) on disposal or repurchase of:		
	a) loans	567	34
	b) financial assets available for sale	36.066	7.092
	c) financial assets held to maturity	-	-
	d) financial liabilities	(1.405)	115
Total Gains (losses) from purchase/sale of loans and financial assets		**35.228**	**7.241**
OPERATING REVENUES		**93.174**	**62.227**
Personnel expenses	180 a) personnel expenses	(20.518)	(20.991)
Other administrative expenses (net of recovered expenses)	180 b) other administrative expenses	(15.643)	(14.690)
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	2.657	2.081
Total Other administrative expenses (net of recovered expenses)		**(12.986)**	**(12.610)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	200 - Net impairment/write-backs on property, plant and equipment	(605)	(664)
	210 - Net impairment/write-backs on intangible assets	(132)	(128)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(737)**	**(792)**
OPERATING COST		**(34.241)**	**(34.392)**
OPERATING INCOME		**58.933**	**27.835**
Goodwill impairment	260 - Goodwill impairment	(1.049)	
Charges/write-backs on impairment of loans	130 a) loans	(81.878)	(17.354)
Charges/write-backs on impairment of other assets	130 b) financial assets available for sale	(7.135)	(220)
	130 c) financial assets held to maturity	-	-
	130 d) other financial transactions	(771)	15
Total Charges/write-backs on impairment		**(89.784)**	**(17.560)**
Net provisions for risks and charges	190 - Net provisions for risks and charges	(539)	(429)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(32.438)**	**9.846**
Tax on income from continuing operations	290 - Tax on income from continuing operations	3.342	(4.984)
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(29.096)**	**4.862**
Income (loss) after tax from discontinued operations	310 - Income (loss) after tax from discontinued operations	-	
Minority interest	330 -Minority interest	5.373	1.589
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**(23.724)**	**6.451**