Consolidated Half-Year Financial Report at 30 June 2015

BANCA POPOLARE DI CIVIDALE
A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo 8/1;
33043 Cividale del Friuli;
Bank of Italy Register No. 5758.8.0; Italian Banking Association Code 05484;
Registration in the Banking Groups Register No. 05484.1;
Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306;
Share capital at 31/12/2014: €50,913,255, fully paid-in
A member of the Interbank Deposit Protection Fund

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Corporate officers and senior management

Board of Directors	
Chairperson	Michela Del Piero
Deputy Chairpersons	Carlo Devetak Adriano Luci
Directors	Francesca Bozzi Mario Leonardi Andrea Stedile Massimo Fuccaro Renzo Marinig Guglielmo Pelizzo

Board of Statutory Auditors	
Chairperson	Renato Bernardi
Standing Members	Giovanni Dal Mas Gianluca Pico
Substitute Members	Pietro Cicuttini Andrea Volpe

Board of Arbitrators	
Standing Members	Aldo Del Negro Ugo Gangheri Giampaolo Piccoli Eugenio Scarbolo Alessandro Rizza
Substitute Members	Renzo Zanon Giuseppe Bertolo

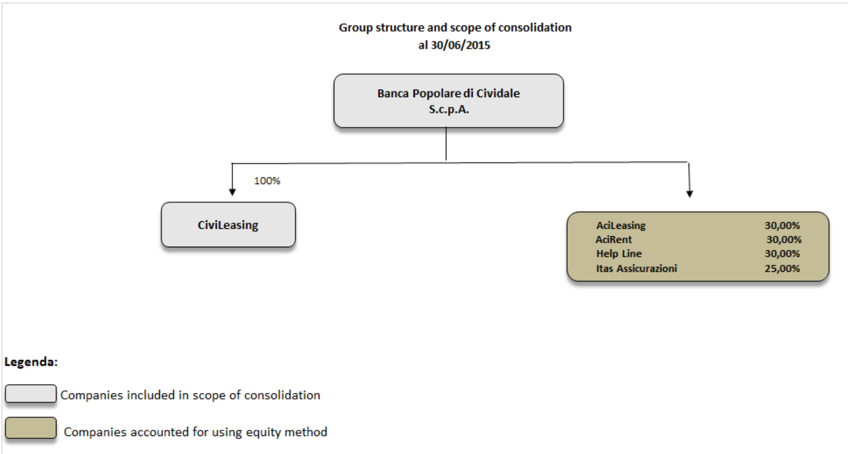
Senior management	
General Manager	Gianluca Benatti
Assistant General Manager	Gianluca Picotti Federico Fabbro

Manager responsible for preparing financial reports	Gabriele Rosin

Independent auditors	Reconta Ernst & Young S.p.A.

Structure of the Banca Popolare di Cividale Group at 30 June 2015

At 30 June 2015, the Banca Popolare di Cividale Group was organised as follows:



The branch network of the Banca Popolare di Cividale Group

The Group's branch network consisted of 75 operational branches at 30 June 2015.

Consolidated half-year financial highlights and balance sheet ratios at 30 June 2015

Income statement data (€ thousands)	30/06/2015	30/06/2014	Change	%
Net interest income (including result of hedging)	33.208	35.223	(2.015)	-5,7%
Net commissions	11.019	10.529	490	4,7%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.125	1.033	92	8,9%
Net trading income	9.421	23.749	(14.328)	-60,3%
Altri proventi (oneri) di gestione	181	(346)	527	152,4%
Operating income	54.954	70.188	(15.234)	-21,7%
Operating cost	(33.071)	(32.918)	(153)	0,5%
Income (loss) from operating	21.883	37.270	(15.387)	-41,3%
Charges/w rite-backs on impairment of loans and other assets	(20.682)	(23.904)	3.222	-13,5%
Profit (loss) on equity investments	-	(549)	549	-100,0%
Net provisions for risks and charges	(236)	(703)	467	-66,4%
Tax on income from continuing operations	(912)	(6.525)	5.613	-86,0%
Net income for the period attributable to the parent company	**53**	**5.588**	**(5.535)**	**-99,1%**

BALANCE SHEET DATA	30/06/2015	31/12/2014	Var %
Loans to customers	2.783.883	2.735.250	1,8%
Financial assets and liabilities	1.455.003	1.100.531	32,2%
Investments in associates and companies subject to joint	7.987	7.776	2,7%
Total assets	4.663.327	4.228.830	10,3%
Direct funding	3.492.753	2.702.030	29,3%
Indirect funding	932.112	879.658	6,0%
- of wich: Assets under management	672.285	586.920	14,5%
Total funding	4.424.865	3.581.687	23,5%
Shareholders' equity	325.857	276.177	18,0%

OPERATING STRUCTURE	30/06/2015	31/12/2014
N° of employees	595	583
Branches	75	75

Profitability ratios	30/06/2015	31/12/2014
Net interest income/Operating Income	60,43%	53,44%
Net commision income/Operating Income	20,05%	16,71%
Cost/income	60,18%	51,71%
Net income for the period/Total Assets	0,00%	0,24%
Net income for the period/RWA	0,00%	0,44%

Structure ratios	30/06/2015	31/12/2014
Loans to customers / Total net assets	62,20%	67,23%
Direct funding / Total net assets	78,04%	66,41%
Assets under management / Indirect funding from customers	72,12%	66,72%
Loans to customers / Direct funding from customers	79,70%	101,23%
Total assets / Shareholders' equity	1431,09%	1531,20%

CREDIT RISK INDICATORS	30/06/2015	31/12/2014
Net non-performing loans	14,54%	13,44%
Other net impaired loans	7,05%	6,59%
Other net impaired loans / Loans to customers	95,59%	64,05%
Total net impaired loans / Loans to customers	79,56%	66,05%
Non performing loans hedging	14,18%	13,69%
Other impaired loans hedging	43,62%	43,72%
Cost of credit (*)	1,28%	1,32%

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

SOLVENCY RATIOS	30/06/2015	31/12/2014
Common Equity Tier1	9,60%	10,04%
Total capital ratio	10,85%	10,66%

Interim report on operations

The first half of 2015

***Executive summary*[1]**

Global economic growth continues, while showing signs of slowing, as a result of temporary factors in advanced economies, and of longer-term factors in emerging economies. In the first quarter of the year, GDP growth slowed in both the United States and the United Kingdom, whereas the indicator was stronger than expected in Japan. In the second quarter, economic activity is then believed to have strengthened once more in the U.S. and U.K. but to have slowed in Japan.

In the Euro Area, economic growth is believed to have continued in the first quarter of 2015 at the same pace as in the fourth quarter of the previous year, driven by household and business spending. According to initial estimates, that same trend then continued in the second quarter as well. The forecasts prepared by staff at the Eurosystem, published in June, call for growth to rise to 1.5% in 2015 and to 1.9% in 2016.

Inflation in the area has returned to low positive territory, while still showing the effects of falling energy prices, which are continuing to contribute to weakness in the inflation scenario. The most recent estimates by professional operators indicate a gradual rise in inflation expectations in the area (0.2% for the current year and 1.3% for the next).

The Eurosystem continued to purchase government and private-sector securities; at the end of the half-year, Italian government security purchases amounted to approximately € 32 billion euro. The Executive Board reiterated its intention to continue the programme until there has been a lasting change in the inflation profile, consistent with a return to the definition of price stability. The highly expansionary monetary policy had a positive effect on the cost of credit, which continued to fall.

The Italian economy

The economic recovery continued in Italy as well. The GDP growth recorded in the first quarter, 0.3%, is believed to have continued at a similar pace in the second quarter. Domestic demand may be regarded as the primary factor responsible for launching the recovery. In their most recent assessments, businesses continued to indicate a better investment outlook; this was particularly true for companies with at least 500 employees, which are planning to increase their investments by 12.7% compared to the previous year. Medium-large companies are planning smaller increases (1.4%), whereas small companies (with fewer than 50 employees) are planning to reduce their investment expenditures (-4.8%).

Demand continued to be driven by the recovery of household consumption, which began in mid-2013 and remained concentrated in purchases of durable goods. Although disposable income was still weak, having remained stagnant for approximately two years, and the outlook for the economy at large and the job market was still uncertain, household confidence remained high.

International financial markets

Greece's uncertain prospects resulted in increased financial market volatility and sovereign and private risk premiums, above all in Euro Area nations previously exposed to tensions. Between the end of March and 10 July (the date on which optimism began to spread concerning the reaching of an agreement between Greece and its international creditors), yield spreads between ten-year government bonds and their German counterparts rose in Portugal, Spain, Ireland and Italy. The Greek crisis also had repercussions on equity markets, which underwent a partial correction corresponding to the rise in long-term government bond prices.

The banking system

Italian banks' extensive use of the Eurosystem's targeted refinancing operations and securities purchasing programme is gradually being transmitted to the credit market. Credit access conditions are improving even for small medium-small companies and borrowing costs continue to fall. For the first time in more than three years, loans to households and manufacturing firms have increased.

According to the most recent quarterly bank lending survey in the Euro Area, the increase in demand from businesses may be ascribed to the recovery of fixed investments, increased inventory and working

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

capital needs, and the stimulus provided by low interest rates. This latter factor also fostered an increase in demand for home purchase loans. The outlook for the second quarter remains positive.
Credit quality is struggling to gain momentum. In the first three months of 2015, the flow of new adjusted bad debts as a percentage of total loans, net of seasonal factors and on an annual basis, decreased (2.4% compared to 2.7% in December 2014), yet already in the second quarter there was an increase in the total exposure to debtors reported as bad debts for the first time.

Cooperative bank lending[2]
In the first half of the year, loans to companies by cooperative banks increased by four billion euro compared to the previous year (+12.5%). In detail, the flow of new loans to smaller companies rose to over € 16 billion, whereas home purchase loans climbed from € 3 billion in the first half of 2014 to over € 5 billion in the first few months of 2015, a surge of 63%. The dynamic performance of cooperative banks confirmed the trend shown by the entire banking sector to date.

Outlook
The Bank of Italy's forecasts call for the economic recovery to gain momentum gradually and the risk that price performance will remain very weak for an extended period to be reduced slightly. Foreign demand should pick up as early as the current year, owing in part to the depreciation of the currency. The highly expansionary monetary policy is expected to encourage a gradual improvement in credit conditions, with a further decline in average rates. Low interest rates should also discourage private savings, stimulating in particular the purchase of durable goods and thus an increase in household consumption. Analysts also expect conditions to improve on job markets, owing in particular to the measures aimed at reducing the tax wedge introduced by the government, which are estimated to increase employment by 0.2%.

The Banca Popolare di Cividale Group

Scope of consolidation

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

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

Auditing of the condensed consolidated half-year financial statements

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

The human resources of the Banca Popolare di Cividale Group

At 30 June 2015, the human resources of the companies belonging to the Banca Popolare di Cividale S.c.p.A. Group numbered 595, compared to 583 at 31 December 2014.

2 Source: Assopopolari

Key operating events in the first half of the year

Signing of an agreement to sell the equity interest in ICBPI

In Milan, on 19 June, Banca Popolare di Cividale signed an agreement providing for the sale to Mercury Italy S.r.l. of an equity interest of 85.79% (with the Bank' share being 4.44%) in Istituto Centrale delle Banche Popolari Italiane S.p.A. (“ICBPI”). “

The Bank will retain an interest (0.70%) in the "new" ICBPI, which will allow it to keep a presence and thus to benefit from the opportunities that the sectors of electronic money and new technologies, poised for rapid growth, have in store for the market.

Appointment of the new Board of Directors

The shareholders' meeting held on 26 April 2015 appointed two new members of the Board of Directors. The shareholders elected Andrea Stedile and Mario Leonardi new directors.

During its first session held on 5 May 2015, the Board of Directors appointed Michela Del Piero, who had already been a member of the Board of Directors since December 2013, the new Chairperson of Banca Popolare di Cividale.

Appointment of the new general manager

The new general manager, Gianluca Benatti, took office on 22 January 2015.

Investigation by the Public Prosecutor’s Office of Udine

On 22 April 2015 the judge for the preliminary hearing of the Court of Udine made a ruling disposing of the proceedings against Banca Popolare di Cividale, continuing them until the hearing of 7 July 2015 before the Court of Udine sitting in collegial form. The Court of Udine then continued the proceedings until the oral hearing scheduled for late September 2015. Recent events have not changed the directors' view from that presented in the consolidated financial statements at 31 December 2014, as regards the risk to which the Bank is exposed under Legislative Decree No. 231/2001. The directors thus did not deem it necessary to recognise a provision at 30 June 2015.

Bonds

In the first six months of 2015, the Bank issued and placed a total of three new bonds, for a total par value of € 40.5 million.

Outstanding bonds totalled € 842 million at 30 June 2015. Net of repurchases of € 315 million, bonds held by third parties thus came to € 527 million.

Merger with Tabogan S.r.l.

The merger of Tabogan S.r.l. into Banca Popolare di Cividale S.c.p.A. was completed on 15 April 2015.

Subsequent events

Planned merger of Civileasing into Banca Popolare di Cividale

On the date of approval of this consolidated half-year financial report, the Parent Company has been asked to approve the plan to merger Civileasing S.p.A. into Banca Popolare di Cividale S.c.p.A. Once all of the required legal formalities have been completed, the merger resolution will result in the merger entering into effect from 1 January 2015. Following the merger with the subsidiaries Banca di Cividale S.p.A. and Nordest Banca S.p.A. in late 2013, the Civileasing merger will mark the completion of a process aimed at simplifying the company structure to consist of a single financial institution, Banca Popolare di Cividale S.C.p.A.

Audits by the Italian Agency of Revenue

On 4 August 2015 the Bank received assessment notices, in the capacity of surviving company in the merger with Tabogan S.r.l., concerning a tax audit conducted by the Italian Agency of Revenue of the former subsidiary in 2014. The allegations generally relate to the principle of abuse of the law in the field of taxation, and the overall amount sought is considerable. Supported by opinions from qualified professionals tasked with reconstructing the events from 2006 to 2014, the Bank reasonably believes that it can demonstrate that the merged company's transactions were undertaken for effective financial and business reasons, and can thereby defend itself against all possible attempts to characterise its actions as tax avoidance. On the basis of the information available at this time, to be re-assessed in light of the actual content of the assessment notices, which were only recently served and are still being analysed, the directors regard the actions of the Bank and its subsidiary as sound, yet they nonetheless believe that the risk associated with the possible dispute with the Agency of Revenue concerning the matter may be characterised as merely "possible". Accordingly, in application of IAS 37, no provision for risks and charges has been recognised in the condensed consolidated financial statements at 30 June 2015.

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

Analysis of main consolidated balance sheet aggregates and earnings results

Earnings results

In the first half of 2015, the Banca Popolare di Cividale Group essentially broke even, recording a consolidated net income of € 53 thousand.

The Group's **operating revenues** came to € 54,954 thousand in the first half of 2015, down by 21.7% compared to the first half of 2014. This decline may be attributed in particular to the decline in net interest income (-5.7%), which showed a significant drop in the component relating to trading, while there was a slight increase in the component relating to banking business with customers. Trading nonetheless remained significant, generating net income of € 9,421 thousand (compared to € 23,749 thousand for the period ended 30 June 2014).

Net commission income amounted to € 11,019 thousand, up by 4.7% compared to the previous period. The increase was primarily due to the positive contribution of management, intermediation and advisory activity (+51.5%); commissions on banking and commercial activity were down by 9.1%.

Operating expenses came to € 33,071 thousand, up by € 153 thousand (+0.5%). Personnel expenses increased by € 799 thousand (+4.1%) compared to the same period of the previous year, owing in part to extraordinary components attributable to redundancy incentives. Administrative expenses amounted to € 11,569 thousand, down by 5.9%, bearing witness to the continuing rationalisation of expenses undertaken by the Group.

Depreciation charges on property, plant and equipment of € 1,221 thousand were up by 6.9%, or € 79 thousand.

In this context, **net operating income** stood at € 21,883 thousand, down by 41.3% compared to 30 June 2014.

Net **provisions for risks and charges** amounted to € 236 thousand, down by 66.4%, or € 467 thousand, compared to the same period of the previous year.

Net impairment losses on loans and other financial assets amounted to € 20,682 thousand. The item includes € 2,916 thousand of impairment losses on equity securities and funds carried in the AFS portfolio. Impairment losses on loans of € 17,418 thousand alone thus yield an annualised loan loss rate of 128 basis points.

Net income was € 53 thousand, after taxes of € 912 thousand.

Balance sheet aggregates

Direct funding amounted to € 3,492,753 thousand, up by € 790,724 thousand (+29.3%) compared to 2014. Net of the component attributable to central counterparties, funding was € 2,441,329 thousand, down by 5.5%, owing in part to significant repricing activity, in turn reflected in a considerable improvement in the spread between lending and borrowing rates, which rose from 1.80% in December 2014 to 2.04% in June 2015.

Loans stood at € 2,783,883 thousand at 30 June 2015, up by 1.8% compared to 2014. Net of transactions with Cassa di Compensazione e Garanzia, the segment was down by 1.5%.

Total net impaired loans stood at € 394,886 thousand as at 30 June 2015, up by € 20,449 thousand from the € 374,436 thousand recorded in December 2014 (+5.5%), marking an increase in the impaired portfolio as a percentage of total loans to customers of 14.2%. In particular, net non-performing loans increased, climbing from € 180,187 thousand at the end of 2014 to the present € 196,130 thousand. Non-performing loans accounted for 7.0% of total loans, up slightly compared to the end of 2014. The coverage ratio rose from 56.0% to 56.6%. Probable defaults (which, according to the new Bank of Italy definition, include substandard and restructured loans) stood at € 161,057 thousand, down by 2.2%. As a percentage of total loans, probable defaults remained essentially unchanged (falling from 6.0% to 5.8%). The total coverage ratio remained high, despite falling from 26.4% to 22.1%.

Past-due positions stood at € 37,699 thousand, up by 27.8%, increasing from 1.1% to 1.4% as percentage of total loans. The coverage ratio for past-due positions was 10.5% (8.5% as at 31 December 2014). The overall coverage ratio for non-performing positions came to 43.6%. Collective adjustments amounted to € 16,636 thousand, an average of approximately 0.7% of gross performing loans to customers. The coverage ratio is deemed appropriate to account for the risk level of regularly performing loans.

Indirect funding came to € 932,112 thousand, up by 6.0% compared to 2014. Assets under management increased by 14.5%. By contrast, assets under administration decreased, owing in part to the shift by customers into assets under management.

Financial assets available for sale totalled € 1,388,166 thousand. The caption consists primarily of government bonds held as part of the liquidity risk management policy, which increased by € 291,613 thousand during the half-year. The equity component also underwent significant change, owing, among other factors, to the recognition of the fair value of the investment in Istituto Centrale delle Banche Popolari Italiane.

Book **shareholders' equity** at 30 June 2015, including net income for the period, was € 325,857 thousand, up by € 49,680 thousand (+18.0%) compared to December 2014, owing in part to the revaluation of the equity interest in ICBPI in accordance with international accounting standards.

Own funds

Common equity tier 1 (CET1) capital

Total common equity tier 1 (CET1) capital, calculated considering the net income for the period ended 30 June 2015, amounted to € 218,024 thousand. The change compared to December 2014 (€ 230,570 thousand) is essentially related to the effect resulting from the revaluation of the equity interest in ICBPI, which had a highly adverse impact on capital ratios as at 30 June 2015. In particular, the revaluation of the security, according to the transitional rules for determining own funds, was fully deducted from the aggregate, whereas the positive revaluation reserve was only 70% included in the available-for-sale reserves, broken down into tier 1 and tier 2 according to the percentages established by the aforementioned transitional provisions.

In the absence of this revaluation, tier 1 capital would have amounted to € 231,843 thousand, and common equity tier 1 capital would have stood at 10.21%.

Additional tier 1 (AT1) capital

At 30 June 2015, Banca Popolare di Cividale S.c.p.A. had not issued any AT1 instruments.

Tier 2 (T2) capital

Considering the effects of the transitional rules, tier 2 capital amounted to € 28,504 thousand (€ 14,158 thousand at 31/12/2014).

Quantitative disclosures

(thousands of Euro)	30/6/2015	31/12/2014
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**324,139**	**272,804**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 Prudential filters (+/-)	-	-
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**324,139**	**272,804**
D. Items to be deducted from CET 1	**(88,231)**	**(37,744)**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**(17,884)**	**(4,490)**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**218,024**	**230,570**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period		
of which AT1 instruments subject to transitional adjustments	-	-
H. Items to be deducted from AT1	-	-
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 subject to transitional adjustements	-	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	-	-
M. Tier 2 (T2) before items to be deducted and effects of transitional period	37,242	24,890
of which T2 instruments subject to transitional adjustments	17,703	24,594
N. Items to be deducted from T2	**(3,140)**	**(2,007)**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 subject to transitional adjustments	**(5,597)**	**(8,725)**
P. Total Tier 2 (T2) (M - N +/- O)	**28,504**	**14,158**
Q. Total own funds (F + L + P)	**246,528**	**244,728**

Capital adequacy

Qualitative disclosures

As at 30 June 2015, the ratio of common equity tier 1 capital to risk-weighted assets stood at 9.60%, whereas the ratio of own funds to risk-weighted assets came to 10.85%. Both values comply with the limits established by the supervisory regulations cited in the previous section.

Quantitative disclosures

	Unweighted amounts		Weighted amounts / requirements	
	30/06/15	31/12/14	30/06/15	31/12/14
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**6.154.381**	***6.767.198***	**2.055.911**	***2.083.371***
1. Standard methodology	6.154.381	*6.767.198*	2.055.911	*2.083.371*
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS			-	-
B.1 CREDIT AND COUNTERPARTY RISK			164.473	*166.670*
B.2 CREDIT VALUATION ADJUSTMENT RISK			87	*95*
B.3 SETTLEMENT RISK			-	-
B.4 MARKET RISK			315	*112*
1. Standard methodology			315	*112*
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			-	-
1. Base methodology			16.863	*16.863*
2. Standard methodology			-	-
3. Advanced methodology			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			181.738	*183.740*
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2.271.724	*2.296.744*
C.2 Common Equity Tier 1 / Risk-weighted assets (CET 1 capital ratio)				
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			9,60%	*10,04%*
C.4 Total own funds / Risk weighted assets (Total capital ratio)			10,85%	*10,66%*

Risks and uncertainties

The Banca Popolare di Cividale Group and its management are aware that sustainable growth and development must inevitably also be based on a thorough analysis of the risks to which the Group is exposed, the related uncertainties in terms of the impacts that those risks may have on its financial structure and earnings and cash flow performance, and the methods for managing and reducing risks to acceptable levels.

In any event, there are no signs in the financial structure, earnings or cash flow performance of Group companies that might lead to uncertainty regarding the ability to continue to operate on a going-concern basis.

Condensed consolidated half-year financial report
Financial statements
Consolidated balance sheet

Balance sheet - Assets			30/06/2015		31/12/2014
10	Cash and cash equivalents		19.698		18.487
20	Financial assets held for trading		3.397		3.032
40	Financial assets available for sale		1.388.166		1.033.838
50	Invetments held to maturity		64.558		64.697
60	Due from banks		186.783		159.347
70	Loans to customers		2.783.883		2.735.250
100	Investments in associates and companies subject to joint		7.987		7.776
120	Property and equipment		89.238		84.621
130	Intangible assets		19.397		19.350
	of which:				
	- goodwill	19.136		19.136	
140	Tax assets		64.098		74.171
	a) current	6.636		19.371	
	b) deferred	57.462		54.800	
	set forth in Italian Law 214/2011	*52.027*		*50.636*	
160	Other assets		36.122		28.261
	Total assets		**4.663.327**		**4.228.830**

Balance sheet - Liabilities and shareholders' equity			30/06/2015		31/12/2014
10	Due to banks		716.355		1.121.823
20	Due to customers		2.920.508		2.013.024
30	Debt securities issued		572.245		689.006
40	Financial liabilities held for trading		1.118		1.036
80	Tax liabilities		17.929		28.813
	a) current	3.929		17.665	
	b) deferred	13.999		11.148	
100	Other liabilities		99.958		89.221
110	Employee termination benefits		5.643		6.040
120	Provisions for risk and charges:		3.713		3.690
	b) other provisions	3.713		3.690	
140	Valuation reserves		60.751		11.124
170	Reserves		47.118		37.054
180	Share premiums		167.022		167.022
190	Share capital		50.913		50.913
220	Net income (loss) for the period (+/-)		53		10.065
	Total liabilities and shareholders' equity		**4.663.327**		**4.228.830**

Consolidated income statement

Consolidated income statement			30/06/2015		30/06/2014
10	Interest income and similar revenues		50.387		62.803
20	Interest expense and similar charges		(17.179)		(27.579)
30	**Net interest income**		**33.208**		**35.223**
40	Commission income		13.852		13.773
50	Commission expense		(2.833)		(3.243)
60	**Net commission income**		**11.019**		**10.529**
70	Dividends and similar income		914		921
80	Net trading income		322		342
100	Profit (loss) on disposal or repurchase of:		9.099		23.408
	a) loans	(16)		(32)	
	b) financial assets available for sale	9.820		22.476	
	d) financial liabilities	(706)		963	
120	**Total income**		**54.561**		**70.422**
130	Charges/write-backs on impairment of:		(20.682)		(23.904)
	a) loans	(17.418)		(22.130)	
	b) financial assets available for sale	(2.916)		(1.596)	
	d) other financial transactions	(349)		(178)	
140	**Net Financial income**		**33.879**		**46.518**
170	**Net income from financial and insurance operations**		**33.879**		**46.518**
180	G&A expenses:		(35.704)		(35.262)
	a) personnel expenses	(20.282)		(19.483)	
	b) other administrative expenses	(15.422)		(15.779)	
190	Net provisions for risks and charges		(236)		(703)
200	Net impairment/write-backs on property, plant and equipment		(1.191)		(1.121)
210	Net impairment/write-backs on intangible assets		(30)		(20)
220	Other operating income (expenses)		4.035		3.139
230	**Operating cost**		**(33.125)**		**(33.968)**
240	Profit (loss) on equity investments		211		112
270	Profit (loss) on disposal of investments		-		(549)
280	**Income (loss) before tax from continuing operations**		**964**		**12.113**
290	Tax on income from continuing operations		(912)		(6.525)
300	**Income (loss) after tax from continuing operations**		**53**		**5.588**
320	**Net income for the period**		**53**		**5.588**
340	**Net income for the period attributable to the Parent company**		**53**		**5.588**

Consolidated statement of other comprehensive income

		30/06/2015	30/06/2014
10	**Net profit for the year**	**53**	**5.588**
	Other income net of income taxes without transfer to profit and loss account		
40	Actuarial gains (losses) from defined benefit plans	114	(210)
100	AFS financial assets	49.514	14.688
130	**Total other income, net of income taxes**	**49.627**	**14.478**
140	**Comprehensive income (10 + 130)**	**49.680**	**20.067**
160	**Consolidated comprehensive income attributable to the Parent Com**	**49.680**	**20.067**

Consolidated statement of changes in shareholders' equity

2015	Balance at 31/12/2014	Change in opening balance	Balance at 01/01/2015	Allocation of result for previous period: Reserves	Allocation of result for previous period: Dividends	Changes during the year: Changes in reserves	Equity operations: New share issues	Equity operations: Purchase of treasury stock	Equity operations: Extraordinary dividend distribution	Equity operations: Change in equity instruments	Equity operations: Derivatives on own shares	Equity operations: Stock options	Equity operations: Change in shareholdings	Total comprehensive income for the period	**Shareholders' equity Group at 30/06/2015**	**Shareholders' equity Minorities at 30/06/2015**
Share capital	**50.913**		**50.913**	-	-	-	-	-	-	-	-	-		-	**50.913**	-
a) ordinary shares	50.913		50.913	-	-	-	-	-	-	-	-	-		-	50.913	-
b) other shares	-		-	-	-	-	-	-	-	-	-	-		-	-	-
Share premium reserve	**167.021**		**167.021**	-	-	-	-	-	-	-	-	-	-	-	**167.021**	-
Reserves	**37.054**		**37.054**	**10.065**	-	-	-	-	-	-	-	-	-	-	**47.119**	-
a) income	37.054		37.054	10.065		-		-	-	-	-	-		-	47.119	-
b) other	(0)		(0)	-		-	-	-	-	-	-	-		-	(0)	-
Valuation reserves:	**11.124**		**11.124**	-	-	-	-	-	-	-	-	-	-	**49.627**	**60.751**	-
Equity instruments	-		-			-									-	-
Treasury shares	**(0)**		**(0)**	-	-	-	-	-	-	-	-	-	-	-	**(0)**	-
Net income (loss) for the period	**10.065**		**10.065**	**(10.065)**	-	-	-	-	-	-	-	-		**53**	**53**	-
Shareholders' equity	**276.177**		**276.177**	-	-	-	-	-	-	-	-	-		**49.680**	**325.857**	-

2014	Balance at 01/01/2014: Group	Balance at 01/01/2014: Minority interests	Allocation of result for previous period: Reserves: Group	Allocation of result for previous period: Reserves: Minority interests	Allocation of result for previous period: Dividends and other uses	Changes during the year: Changes in reserves: Group	Changes in reserves: Minority interests	Equity operations: New share issues: Group	New share issues: Minority interests	Purchase of treasury stock: Group	Purchase of treasury stock: Minority interests	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the: Group	Total comprehensive income for the: Minority interests	Shareholders' equity at 30/06/2014: Group	Shareholders' equity at 30/06/2014: Minority interests
Share capital	**51,068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,068**	**-**
a) ordinary shares	51,068	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,068	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**198,569**	**-**	**(30,585)**			**-**		**-**	**-**		**-**							**167,984**	**-**
Reserves	**38,920**	**-**	**(1,943)**	**-**	**-**	**77**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,054**	**-**
a) income	38,920		(1,943)			77			-	-		-	-	-	-	-	-	37,054	-
b) other	(0)	-	-					-	-	-	-	-	-	-	-	-	-	(0)	-
Valuation reserves:	**8,551**	**-**	**(3,265)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,478**	**-**	**19,765**	**-**
a) available for sale	5,334	-	-			-			-	-		-	-	-	-	14,688		20,022	-
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	3,218	-	(3,265)						-	-		-	-	-	-	(210)		(257)	-
Equity instruments	**-**	**-**																**-**	**-**
Treasury shares	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,035)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,042)**	**-**
a) of Parent Company	(7)	-	-	-	-	-	-	-	-	(1,035)		-	-	-	-	-	-	(1,042)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	**(35,793)**	**-**	**(35,793)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,588**	**-**	**5,588**	**-**
Shareholders' equity	**261,308**	**-**		**-**	**-**	**77**	**-**	**-**	**-**	**(1,035)**	**-**	**-**	**-**	**-**	**-**	**20,067**	**-**	**280,416**	**-**

Consolidated statement of cash flows

CONSOLIIDATED STATEMENT OF CASH FLOW				
OPERATING ACTIVITY	30/06/2015		30/06/2014	
1. Operations		**43,832**		**48,997**
- interest income received (+)	67,725		79,246	
- interest expense paid (-)	(15,466)		(9,113)	
- dividends and similar revenues	914		921	
- net commissions (+/-)	13,388		10,529	
- staff costs	(20,778)		(16,011)	
- other expenses (-)	(15,022)		(37,764)	
- other revenues (+)	13,764		27,373	
- taxes and duties (-)	(695)		(6,184)	
2. Liquidity generated/absorbed by financial assets: (+/-)		**(464,743)**		**257,826**
- financial assets held for trading	(365)		261	
- financial assets available for sale	(354,328)		9,007	
- loans to custumers	(80,261)		274,315	
- due from banks: repayable on demand	(27,436)		(20,004)	
- due from banks: other	73		(179)	
- other assets	(2,426)		(5,575)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**428,180**		**(346,404)**
- due to banks: repayable on demand	(405,479)		(31,507)	
- due to banks: other	(564)		(12,694)	
- due to customers	904,903		(357,205)	
- securities issued	(116,983)		12,423	
- financial liabilities held for trading	82		(61)	
- other liabilities	46,221		42,640	
Net liquidity generated/absorbed by operating activity A (+/-)		**7,269**	**0**	**(39,581)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**-**		**-**
2. Liquidity absorbed by: (-)		**(6,057)**		**37,234**
- purchase of equity investments	(211)		(112)	
- purchase of financial assets held to maturity	139		34,926	
- purchase of property, plant and equipment	(5,908)		2,421	
- purchase of intangible assets	(77)		-	
Net liquidity generated/absorbed by investing activity B (+/-)		**(6,057)**		**37,234**
FUNDING ACTIVITY				
- issue/purchase of own shares	-		(1,035)	
- distribution of dividends and other uses	-		-	
Net liquidity generated/absorbed by funding activity C (+/-)		**-**		**(1,035)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**1,211**		**(3,382)**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	18,487	20,021
Total net liquidity generated/absorbed during the period D	1,211	-3,382
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	**19,698**	**16,639**

Notes

Accounting policies

Statement of compliance with international accounting standards

Pursuant to Legislative Decree No. 38 of 28 February 2005, these condensed consolidated half-year financial statements have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by Regulation (EC) No 1606 of 19 July 2002.

These financial statements have also been drawn up in condensed form in accordance with IAS 34. Consequently, 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 2014.

The accounting policies adopted are consistent with those adopted for the consolidated financial statements at 31 December 2014, with the exception of the new standards, amendments and interpretations in effect from 1 January 2015.

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

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

Application of these new standards did not have a significant impact on consolidated results or the net situation for the period.

General basis of preparation of the condensed consolidated half-year financial statements

The condensed consolidated half-year financial statements comprise the following documents, presented in euro: the balance sheet, income statement, statement of other comprehensive income, statement of changes in shareholders' equity, statement of cash flows and these notes. The notes have been presented in thousands of euro for certain items of the financial statements.

The condensed consolidated half-year financial statements for the six months ended 30 June 2015 are accompanied by certification by the manager responsible for preparing the financial reports in accordance with Art. 154-bis of the 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 legal auditing contract awarded to the latter for the period 2010-2018.

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

With respect to Bank of Italy, Consob and ISVAP Document no. 2 of 6 February 2009 and the subsequent Document no. 4 of 3 March 2010, concerning disclosures to be provided in financial reports regarding business outlook, with especial regard to continuity of operation, financial risks, tests aimed at detecting impairment and uncertainties in the use of estimates, the Directors of Banca Popolare di Cividale confirm that they may reasonably expect that the Company and other Group entities will continue to operate as going concerns for the foreseeable future. Accordingly, the financial report at 30 June 2015 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 have been classified and measured according to the customary conservative approach aimed at duly and properly capturing the consequences of the adverse development of the current economic scenario. The speed and extent of the exacerbation of the crisis have required constant revision of loans that previously showed signs of distress as well as those without any outward symptoms of deterioration.
In addition, specific 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 2014 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. and Civileasing S.p.A., 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 consolidated financial statements for the year ended 31 December 2014, to which the reader is referred. The financial statements of the Parent Company and the other companies used to prepare these financial statements refer to 30 June 2015. 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 consolidation in the condensed consolidated half-year financial statements for the period ended 30 June 2015.

Company name	Registered office	Type of relationship	Equity investment Investor	% of votes
A. Companies				
A.1 Consolidated on a line-item basis				
Civileasing SpA	Udine	subsidiary	Banca Popolare di Cividale S.c.p.A.	100,00%
A.2 Companies accounted for using equity method				
Acileasing SpA	Udine	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Acirent SpA	Udine	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Help Line Spa	Cividale	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Itas Assicurazioni Spa	Trento	associate	Banca Popolare di Cividale S.c.p.A.	25,00%

Use of estimates and assumptions in preparing the condensed financial statements

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

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

Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments founded upon the use of all available information and past experience. 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.
When preparing the condensed consolidated half-year financial statements at 30 June 2015, estimates were also used in accounting for the following situations.

Revaluation of the equity interest in Istituto Centrale delle Banche Popolari Italiane S.p.A. carried among AFS financial assets

In the current process between the Italian banks selling their equity interests in ICBPI and the consortium of buyers identified on 27 May 2015, a range of prices at which to conclude the overall transaction has been identified on the basis of binding purchase offers submitted by the bidders who placed the most attractive bid. In assessing the significance of such pricing as the fair value of the equities as at 30 June 2015, the directors considered the following:

- ✓ the structure of the transaction is complex, involving various clauses and conditions that can only be best assessed near closing;
- ✓ the authorisation process at both the Italian and European level is complex and could result in further changes to the transaction structure;
- ✓ it is therefore difficult to predict the timing of the conclusion of the transaction.
- ✓ With respect to the specific situations of each seller, the price of sale could be allocated to each of the participants according to criteria not proportional to the equity interest held by each in ICBPI.

On the basis of the foregoing, and also considering that from an accounting standpoint the effects of the sale on the income statement would only manifest themselves when the transaction is completed, the fair value used to measure the equities as at 30 June 2015 was determined in reference to the bottom end of the range indicated in the contract, which was then reduced by a total "prudential haircut" of 10% to account for the elements of uncertainty described above.
The use of the fair value determined as indicated above resulted in the recognition of a positive effect of € 54,854 thousand, net of the tax effect, amongst valuation reserves for AFS securities.

Contributions to European deposit guarantee schemes and resolution mechanisms

In enacting Directive 2014/49/EU (Deposit Guarantee Schemes Directive – DGS) of 16 April 2014, Directive 2014/59/EU (Bank Recovery and Resolution Directive – BRRD) of 15 May 2014, and establishing the Single Resolution Mechanism (Regulation (EU) No 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules for bank crises, with the strategic aim of reinforcing the single market and systemic stability. These legislative changes will have a significant impact on the financial performance and position of participating banks, as a result of the obligation to establish specific provisions using financial resources that are to be provided by contributions by financial institutions.
In the directors' view, the transposition of the aforementioned European legislation into the Italian legal order represents a substantive element of the emergence of a legal obligation to contribute. Accordingly, while there is still some uncertainty in the transposition process, some of which relate to the methods used to calculate the pertinent contribution, the Bank decided not to set aside any provision at 30 June 2015. The matter will be updated in the second half of 2015, when the Directives are expected to be transposed.

Update concerning Circular 272 of 30 July 2008 - Account matrix

In the exercise of its regulatory powers, in January 2015 the Bank of Italy issued its seventh update to Circular 272 of 30 July 2008 - Account matrix. Among other changes, the update revises the categories of non-performing loans with the aim of aligning Italian legislation with the definitions of non-performing exposures (NPEs) and forbearance introduced by the Implementing Technical Standards (ITSs) issued by the European Banking Authority (EBA). While there were no significant changes relating to the categories of bad debts and past-due positions, the previous categories of substandard and restructured loans were abolished and replaced by the new category of probable defaults: "classification to this category is, first and foremost, the result of the bank's judgement concerning the improbability that the borrower will meet its debt obligations fully (principal and/or interest), without recourse by the bank to measures such as enforcement of guarantees. This assessment should be conducted independently of the presence of any past-due amounts (or instalments). Accordingly, it is not necessary to wait for an explicit sign of anomaly (non-payment), where there are elements that entail a situation of risk of default by the borrower (for example, a crisis in the business segment in which the borrower operates)."

Although the Bank of Italy regulation governing the content of bank financial statements (Circular 262/2005) has yet to be updated to incorporate the new definitions, during this contingency phase the disclosure presented in these condensed consolidated half-year financial statements has been prepared according to an approach in which the entire former portfolio of substandard and restructuring loans has been combined to form the new category, probable defaults.

Earnings results

Reconciliation of the consolidated income statement and reclassified consolidated income statement

RECLASSIFIED INCOME STATEMENT	Consolidated income statement	30/06/2015	30/06/2014
Net interest income (including result of hedging)	30 - Net interest income	33,208	35,223
Total Net interest income (including result of hedging)		**33,208**	**35,223**
Dividends and net income (loss) of equity investments accounted for using equity method	70 - Dividends and similar income	914	921
	240 - Profit (loss) on equity investments	211	112
Total Dividends and net income (loss) of equity investments accounted for using equity method		**1,125**	**1,033**
Net commissions	**220 - Other operating income (expenses)**	**11,019**	**10,529**
Other operating income (net of recovered expenses)	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	4,035	3,139
	220 - Other operating income (expenses)	(3,854)	(3,485)
Total Other operating income (net of recovered expenses)		**181**	**(346)**
Net trading income	**80 - Net trading income**	**322**	**342**
Gains (losses) from purchase/sale of loans and financial assets	100 - Profit (loss) on disposal or repurchase of:		
	a) loans	(16)	(32)
	b) financial assets available for sale	9,820	22,476
	d) financial liabilities	(706)	963
Total Gains (losses) from purchase/sale of loans and financial assets		**9,099**	**23,408**
OPERATING REVENUES		**54,954**	**70,188**
Personnel expenses	180 a) personnel expenses	(20,282)	(19,483)
Other administrative expenses (net of recovered expenses)	180 b) other administrative expenses	(15,422)	(15,779)
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	3,854	3,485
Total Other administrative expenses (net of recovered expenses)		**(11,569)**	**(12,293)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	200 - Net impairment/write-backs on property, plant and equipment	(1,191)	(1,121)
	210 - Net impairment/write-backs on intangible assets	(30)	(20)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(1,221)**	**(1,142)**
OPERATING COST		**(33,071)**	**(32,918)**
INCOME (LOSS) FROM OPERATING		**21,883**	**36,720**
Charges/write-backs on impairment of loans	130 a) loans	(17,418)	(22,130)
Charges/write-backs on impairment of other assets	130 b) financial assets available for sale	(2,916)	(1,596)
	130 d) other financial transactions	(349)	(178)
Total Charges/write-backs		**(20,682)**	**(23,904)**
Net provisions for risks and charges	190 Net provisions for risks and charges	(236)	(703)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	190 - Net provisions for risks and charges	-	(549)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**965**	**12,113**
Tax on income from continuing operations	290 - Tax on income from continuing operations	(912)	(6,525)
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**53**	**5,588**
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**53**	**5,588**

Net interest income

Net interest income	30/06/2015	30/06/2014	%
Relations with customers	31.989	33.955	-5,8%
Debt securities issued	(6.619)	(8.058)	17,9%
Certificates of deposit	(277)	(861)	67,8%
Net income from customers	**25.094**	**25.036**	**0,2%**
Financial assets AFS	8.658	11.737	-26,2%
Financial assets HTF	17	65	-73,7%
Financial assets L&R	167	396	-57,9%
Financial assets HTM	1.400	1.613	-13,2%
Capitalization policies	250	238	5,2%
Financial assets	**10.492**	**14.050**	**-25,3%**
Relations with banks	(2.373)	(3.885)	38,9%
Other net interest	(6)	22	-126,6%
Total net interest	**33.208**	**35.223**	**-5,7%**

Dividends and net income (loss) of equity investments measured at equity

	30/06/2015		30/06/2014		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	8	-	4	-	115,1%
B. Financial assets available for sale	-	-	-	-	-
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	906	211	917	112	-1,2%
Total	**914**	**211**	**921**	**112**	-0,7%

Net commission income

	30/06/2015	30/06/2014	%
Guarantees issued	466	533	-12,7%
Collection and payment services	742	737	0,8%
Current accounts	1.614	1.510	6,9%
Commisions on credit facilities	2.499	3.147	-20,6%
Credit and debit cards	839	851	-1,5%
Commercial banking activities	**6.159**	**6.778**	**-9,1%**
Trading and placement of securities (including mutual funds)	2.250	2.366	-4,9%
MEF's guarantees	(1.443)	(2.018)	-28,5%
Currency dealing	305	255	19,5%
Portfolio management	1.147	871	31,7%
Distribution of insurance products	320	229	40,0%
Other	-	-	0,0%
Management, intermediation and advisory services	**2.579**	**1.703**	**51,5%**
Other net fee and commission income	2.280	2.048	11,4%
Net fee and commission income	**11.019**	**10.529**	**4,7%**

Net trading income (loss)

Net trading income (loss)	30/06/2015	30/06/2014	%
Financial assets held for trading	312	331	-6%
Derivatives	5	7	-24%
Net trading income/(loss) (interest rates, equity, foreign exchanges)	**317**	**338**	**-6,1%**
Other financial assets and liabilities: exchange differences	5	4	0%
Net trading income/(loss)	**322**	**342**	**-5,7%**

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 realised gains on government securities of € 9.8 million.

Other operating income (expenses)

Other operating income	30/06/2015	30/06/2014	%
Out-of-period expenses and reductions in assets	(576)	(1.112)	48,2%
Total operating expenses	**(576)**	**(1.112)**	**48,2%**
Other income - rentals and fees	76	72	5,6%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	191	113	69,4%
Out-of-period income and reductions in liabilities	490	581	-15,6%
Total operating income	**758**	**766**	**-1,1%**
Total operating income and expenses	**181**	**(346)**	**152,3%**

Other operating income and expenses is a residual caption that includes income and expenses of various types. The caption does not include recoveries of expenses, taxes and duties, which have instead been deducted from administrative expenses in this income statement. On a net basis, the caption stood at € 3,854 thousand for the period ended 30 June 2015.

Operating costs

Other operating costs	30/06/2015	30/06/2014	%
Wages and salaries	13.400	13.134	2,0%
Social security contributions	3.760	3.661	2,7%
Other personnel expenses	3.122	2.688	16,2%
Total personnel expenses	**20.282**	**19.483**	**4,1%**
Information technology expenses	229	335	-31,5%
Real estate management costs	2.507	2.345	6,9%
General structure costs	2.274	2.562	-11,2%
Professional, insurance and legal expenses	1.808	1.633	10,7%
Advertising	310	517	-40,1%
Outsourcing costs and other services provided by third parties	4.318	4.563	-5,4%
Indirect personnel costs	539	626	-13,9%
Recovery of expenses and charges	(722)	(578)	-24,9%
Indirect taxes and duties	3.527	3.198	10,3%
Recovery of indirect taxes and duties	(3.222)	(2.908)	-10,8%
Total other administrative expenses	**11.569**	**12.293**	**-5,9%**
Net impairment/write-backs on property, plant and equipment	1.191	1.121	6,2%
Net impairment/write-backs on intangible assets	30	21	42,9%
Total net impairments	**1.221**	**1.142**	**6,9%**
Total operating costs	**33.071**	**32.918**	**0,5%**

Operating income

Operating income stood at € 21,883 thousand, down compared to 30 June 2014 (-41.3%).

Net impairment/write-backs on loans and other assets

Net impairment/write-backs on loans and other assets	30/06/2015	30/06/2014	%
Non-performing loans	(9.836)	(12.929)	-23,9%
Substandard and restructuring loans	(7.946)	(9.261)	-14,2%
Past due	(1.859)	268	792,8%
Net impairment losses on loans	2.224	(208)	-1168,1%
Net adjustments to guarantees and commitments	**(17.417)**	**(22.130)**	**-21,3%**
Net profit on disposal or repurchase	**(2.916)**	**(1.596)**	**82,7%**
Net adjustments to loans	(349)	**(178)**	**-96,1%**
Total charges/write-backs	**(20.682)**	**(23.904)**	**-13,5%**

Net provisions for risks and charges

Net provisions for risks and charges	30/06/2015	30/06/2014	%
customer disputes	(46)	(703)	-93,5%
revocatory actions	(190)	-	nc
Total	**(236)**	**(703)**	**66,4%**

Income (Loss) before tax from continuing operations

Income before tax from continuing operations stood at € 964 thousand in the first half of 2015.

Tax on income from continuing operations

The provision for current and deferred taxes accrued in the first six months of 2015 came to € 912 thousand.

Net income (loss)

The consolidated net income for the period amounted to € 53 thousand.

Balance sheet aggregates

Reconciliation of the consolidated balance sheet and reclassified consolidated balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2015	31/12/2014
Cash and cash equivalents	10 - Cash and cash equivalents	19.698	18.487
Financial assets held for trading	20 - Financial assets held for trading	3.397	3.032
Financial assets available for sale	40 - Financial assets available for sale	1.388.166	1.033.838
Financial assets held to maturity	50 - Invetments held to maturity	64.558	64.697
Due from banks	60 - Due from banks	186.783	159.347
Loans to customers	70 - Loans to customers	2.783.883	2.735.250
Equity investments	100 - Investments in associates and companies subject to joint	7.987	7.776
Property and equipment and intangible assets	120 - Property and equipment	89.238	84.621
	130 - Intangible assets	19.397	19.350
Other assets	140 - Tax assets	64.098	74.171
	160 - Other assets	36.122	28.261
Total assets		**4.663.327**	**4.228.830**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2015	31/12/2014
Due to banks	10 - Due to banks	716.355	1.121.823
Direct funding from customers	20 - Due to customers	2.920.508	2.013.024
	30 - Debt securities issued	572.245	689.006
Financial liabilities held for trading	40 - Financial liabilities held for trading	1.118	1.036
Other liabilities	80 - Tax liabilities	17.929	28.813
	100 - Other liabilities	99.958	89.222
Specific provisions	110 - Employee termination benefits	5.643	6.040
	120 - Provisions for risk and charges:	3.713	3.690
Shareholders' equity	140 - Valuation reserves	60.751	11.124
	170 - Reserves	47.118	37.054
	180 - Share premiums	167.022	167.022
	190 - Share capital	50.913	50.913
	220 - Net income (loss) for the period (+/-)	53	10.065
Total liabilities		**4.663.327**	**4.228.830**

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 presented 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	30/06/2015	31/12/2014	Var %
Cash and cash equivalents	19.698	18.487	6,6%
Financial assets held for trading	3.397	3.032	12,0%
Financial assets available for sale	1.388.166	1.033.838	34,3%
Invetments held to maturity	64.558	64.697	-0,2%
Due from banks	186.783	159.347	17,2%
Loans to customers	2.783.883	2.735.250	1,8%
Investments in associates and companies subject to joint	7.987	7.776	2,7%
Property, plant and equipment and intangible assets (1)	108.635	103.971	4,5%
Other assets (2)	100.220	102.432	-2,2%
Total assets	**4.663.327**	**4.228.830**	**10,3%**

(1) The aggregates include captions "120. Property, plant and equipment" and "130. Intangible assets";
(2) The aggregates include captions "140. Tax assets" and "160. Other assets".

LIABILITIES	30/06/2015	31/12/2014	Var %
Due to banks	716.355	1.121.823	-36,1%
Direct funding from customers (1)	3.492.753	2.702.030	29,3%
Financial liabilities held for trading	1.118	1.036	7,9%
Other liabilities	117.888	118.034	-0,1%
Specific provisions (2)	9.356	9.730	-3,8%
Shareholders' equity (3)	325.857	276.177	18,0%
Total liabilities	**4.663.327**	**4.228.830**	**10,3%**

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

Loans to customers

Loans to customers: composition

	30/6/2015							31/12/2014							Var.%
	Performing	Non - performing		Fair value				Performing	Non - performing		Fair value				
		Purchased	Other	L1	L2	L3	comp. %		Purchased	Other	L1	L2	L3	comp. %	
Loans	**2,388,997**	**-**	**394,886**	**X**	**X**	**X**	**100%**	**2,360,814**	**-**	**374,436**	**-**	**-**	**-**	**100%**	**1.8%**
1. Current accounts	400,132	-	89,447	X	X	X	18%	126,772	-	80,516	X	X	X	8%	136.2%
2. Repurchase agreements	89,130	-	-	X	X	X	3%	-	-	-	X	X	X	0%	-
3. Mortgage loans	1,416,268	-	231,458	X	X	X	59%	1,762,613	-	221,023	X	X	X	73%	-16.9%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	49,482	-	1,762	X	X	X	2%	47,358	-	1,717	X	X	X	2%	4.4%
5. Finance leases	230,819	-	57,217	X	X	X	10%	244,655	-	56,521	X	X	X	11%	-4.4%
6. Factoring	-	-	-	X	X	X	0%	-	-	-	X	X	X	0%	-
7. Other	203,166	-	15,002	X	X	X	8%	179,417	-	14,658	X	X	X	7%	12.4%
Debt securities	-	-	-	-	-	-	**0%**	-	-	-	-	-	-	**0%**	-
8. Structured	-	-	-	X	X	X	0%	-	-	-	X	X	X	0%	-
9. Other debt securities	-	-	-	X	X	X	0%	-	-	-	X	X	X	0%	-
Total	**2,388,997**	**-**	**394,886**	**-**	**-**	**3,083,215**	**200%**	**2,360,814**	**-**	**374,436**	**X**	**X**	**2,771,202**	**100%**	**1.8%**

Loans to customers: credit quality

Loans to customers	30/6/2015		31/12/2014		Change %
	Value	indic.%	Value	indic.%	
Bad loans	196.130	7,0%	180.187	6,6%	8,8%
- of wich forborne	4.966		8.613		
Unlikely to pay	161.057	5,8%	164.741	6,0%	-2,2%
- of wich forborne	39.734		24.737		
Past due loans	37.699	1,4%	29.508	1,1%	27,8%
- of wich forborne	2.171		10.337		
Total impaired assets	**394.886**	**14,2%**	**374.436**	**13,7%**	**5,5%**
Performing loans	2.388.997	85,8%	2.360.814	86,3%	1,2%
- of wich forborne	79.442		60.717		
Loans to customers	**2.783.883**	**100,0%**	**2.735.250**	**100,0%**	**1,8%**

Customer financial assets

	30/6/2015		31/12/2014		% change
	value	% breakdown	value	% breakdown	
Direct funding	**3,492,753**	79%	**2,702,030**	75%	29.3%
Assets under administration	259,827	5%	292,738	8%	-11.2%
Assets under management	672,285	15%	586,920	16%	14.5%
Indirect funding	**932,112**	21%	**879,658**	25%	6.0%
Customer financial assets	**4,424,865**	**100%**	**3,581,687**	**100%**	**23.5%**

Direct funding

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

	30/6/2015		31/12/2014		% change
	value	breakdow	value	% breakdown	
Current accounts and deposits	1,830,106	52%	1,857,302	69%	-1.5%
Repurchase agreements and securities lending	971,428	28%	120,231	4%	708.0%
Bonds	482,311	14%	638,158	24%	-24.4%
Certificates of deposit	34,592	1%	50,847	2%	-32.0%
Subordinated liabilities	55,161	2%	-	0%	-
Other deposits	119,155	3%	35,491	1%	235.7%
Total direct funding	**3,492,753**	**100%**	**2,702,030**	**100%**	**29.3%**

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.

	30/6/2015		31/12/2014		% change
		% breakdown		% breakdown	
Mutual Funds	371.890	40%	329.458	37%	12,9%
Portfolio management	81.943	9%	60.098	7%	36,3%
Life technical reserves and financial liabilities	218.452	23%	197.364	22%	10,7%
Assets under management	**672.285**	**72%**	**586.920**	**67%**	**14,5%**
Assets under administration	**259.827**	**28%**	**292.738**	**33%**	**-11,2%**
Indirect funding	**932.112**	**100%**	**879.658**	**100%**	**6,0%**

Financial assets/liabilities held for trading

	30/6/2015		31/12/2014		% change
	value	% breakdown	value	% breakdown	
Trading derivatives - Assets	1,432	63%	1,358	68%	5.4%
Property titles	1,965	86%	1,674	84%	17.4%
Financial assets held for trading	**3,397**	**149%**	**3,032**	**152%**	**12.0%**
Trading derivatives - Liabilities	1,118	49%	1,036	52%	7.9%
Financial liabilities held for trading	**1,118**	**49%**	**1,036**	**52%**	**7.9%**
Net financial assets and liabilities	**2,279**	**100%**	**1,996**	**100%**	**14.2%**

Financial assets available for sale

Financial assets available for sale totalled € 1,388,166 thousand, up by 34.3% compared to 2014. 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 may essentially be divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for quoted equity securities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of € 2,916 thousand.

	30/6/2015		31/12/2014		% change
Goverments bonds	1.224.456	88,2%	932.843	90,2%	**31,26%**
Bonds and other debt securities	34.714	2,5%	28.991	2,8%	**19,74%**
Equities and quotas of mutual funds	128.996	9,3%	72.006	7,0%	**79,15%**
Financial assets available for sale	**1.388.166**	**100%**	**1.033.839**	**100%**	**34,3%**

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 2015. As indicated in the ESMA document, “sovereign debt” is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

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

Exposure to sovereign debt - book value	Italy	UK
Financial assets available for trading		
- Debt securities	-	-
Financial assets available for sale		
- Debt securities	1,223,378	1,078
Financial assets held to maturity		
- Debt securities	54,378	-
Total	**1,277,756**	**1,078**

Net interbank position

Interbank position	30/06/2015	31/12/2014	Var	%
Cash and cash equivalents	19,698	18,487	1,212	6.6%
Loans to banks	186,783	159,347	27,436	17.2%
Due to banks	(716,355)	(1,121,823)	405,468	36.1%
NET INTERBANK POSITION	**(509,874)**	**(943,990)**	**434,116**	**46.0%**

Changes in provisions for risks and charges

	Pension plans	Other provisions	Total
A. Opening balance	-	3.690	3.690
B. Increases	-	278	278
B.1 Provision for the year	-	278	278
B.2 Changes due to time	-	-	-
B.2 Changes due to changes in the discount rate	-	-	-
B4. Other changes	-	-	-
C. Decreases	-	255	255
C.1 Use during the year	-	255	255
C.2 Changes due to changes in the discount rate	-	-	-
C3. Other changes	-	-	-
D. Closing balance	-	3.713	3.713

As disclosed above in the interim report on operations, the risk of incurring liabilities in the context of:

- ✓ the investigation by the Public Prosecutor's Office of Udine; and
- ✓ the audits by the Italian Agency of Revenue;

have been deemed possible by the directors. Accordingly, the directors decided not to recognise provisions for risks and charges at 30 June 2015.

Shareholders' equity attributable to the Group

The Group's shareholders' equity stood at € 325,857 thousand at 30 June 2015. The following is a reconciliation of the Parent Company's shareholders' equity and net income for the period with the corresponding consolidated figures at the same date.

	30/06/2015		31/12/2014	
	Shareholder's equity	of which: net income of period	Shareholder's equity	of which: net income of period
Balance in Parent company financial statements	326.612	(800)	277.786	5.803
Pro rata results of equity investments	-	-	-	-
- line item consolidation	250	250	(5.987)	(5.987)
- accounted for using equity method	211	211	247	247
Amortization of goodwill	-	-	-	-
- current year	-	-	-	-
- previous years	-	-	-	-
Differences with consolidated on line-item basis	-	-	-	-
- companies consolidated on line-item basis	(451)	-	5.535	-
- companies accounted for using equity method	1.298	-	1.052	-
Dividends received in the period	-	-	-	-
- current year	-	-	-	-
- previous years	-	-	-	-
Consolidation adjustments	-	-	-	-
- elimination of intercomany profits and losses	(2.063)	392	(2.457)	10.002
- other adjustments	-	-	-	-
Balance in consolidated financial statements	325.857	53	276.176	10.064

Earnings per share

Basic Earning per share	30/06/2015	31/12/2014
Adjusted attributable profit	53	10.065
Weighted average number of shares	16.634.078	16.634.078
Basic Earning per share	**0,003**	**0,605**

The methods of calculating basic earnings per share and diluted earnings per share are defined by IAS 33 *Earnings per Share*. Basic earnings per share is defined as the relationship between the net income attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share reflects the dilutive effects of the conversion of potential ordinary shares, defined as financial instruments that grant their holders the right to obtain ordinary shares. Accordingly, when calculating diluted earnings per share, the numerator and denominator of the ratio are adjusted to account for the effects of the additional shares that would need to be issued if all potential ordinary shares with dilutive effects were converted.
Banca Popolare di Cividale has not issued financial instruments that grant their holders the right to obtain ordinary shares.

Valuation reserves
At 30 June 2015, valuation reserves presented a net increase of € 49,627 thousand compared to the end of the previous year, primarily attributable to the decrease in the valuation reserve for available-for-sale financial assets in connection with the investment in ICBPI.

Disclosure concerning fair value

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

In the first half of 2015, the Group did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39. The following table presents the residual carrying amounts of assets reclassified in previous years at 30 June 2015, the fair values of those assets, the income components registered during the period and the effects on the income statement that would have occurred if the assets had not been transferred.

Type of financial instrument	Previous portfolio (2)	New portfolio (3)	Book value at 30.06.2015 (4)	Fair value at 30.06.2015 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities	HFT	LOANS	3,012	3,012	-	-	-	-
Total			**3,012**	**3,012**	**-**	**-**	**-**	**-**

QUALITATIVE DISCLOSURES

The criteria and procedures for determining fair value used to measure the portfolios of financial assets and financial liabilities in these condensed consolidated half-year financial statements are the same as those applied in preparing the consolidated financial statements at 31 December 2014 and presented in Part A, Section 4, of the notes to those financial statements, meaning that they are also compliant with the specific policy approved by the Banca Popolare di Cividale Group. The methods for classifying instruments measured at fair value (on a recurring and non-recurring basis) within the fair value hierarchy are also consistent with the provisions of the fair value policy, in accordance with IFRS 13.

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

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

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

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

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

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

Fair value levels 2 and 3: measurement techniques and inputs used

Financial instruments measured at fair value on a recurring basis

If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a valuation technique (mark-to-model), by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.

If this measurement technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.

On the other hand, where the instrument is not quoted, or is quoted on a market not considered active, and the adoption of a valuation model (mark-to-model) is thus required, the instrument is classified to fair value level 3 if at least one of the model inputs (with a material impact on the instrument’s overall valuation) may not be obtained or derived from the market, but rather must be estimated by the valuer (e.g., application of methods for estimating projected future cash flow, repayment schedules or correlations between underlying for options or structured products).

Financial instruments measured at fair value on a non-recurring basis

In the case of financial assets other than debt securities, equity securities, shares of UCIs and derivative contracts, i.e. in the case of financial and operating receivables classified in the portfolios due from banks and due from customers, fair value is determined, and hierarchical classification established, as follows:

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

Valuation processes and sensitivity

L3 financial instruments classified to the Banca Popolare di Cividale Group's AFS portfolio do not possess the characteristics required to permit a sensitivity analysis to be conducted. The unobservable inputs capable of influencing the valuation of instruments classified as level 3 are primarily inputs specific to the entity subject to valuation (for example, the company's asset and liability values) and for which the use of alternative values may not reasonably be considered.

QUANTITATIVE DISCLOSURES

Fair value hierarchy

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

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

	30/06/2015			31/12/2014		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	901	1,064	-	223	1,450	-
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	1,259,262	100	128,805	961,925	100	71,814
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1,260,163**	**1,164**	**128,805**	**962,149**	**1,550**	**71,814**
1. Financial liabilities held for trading	-	1,118	-	-	1,036	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**1,118**	**-**	**-**	**1,036**	**-**

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

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

	FINANCIAL ASSETS					
	Held for trading	Designated at fair value through	Available for sale	For hedging purposes	Property and	Intangible assets
1. Opening balance	**-**	**-**	**71,814**	**-**	**-**	**-**
2. Increasese	**-**	**-**	**59,021**	**-**	**-**	**-**
2.1. Purchases	-	-	613	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-
2.2.1.Income statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	58,408	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	**-**	**-**	**2,030**	**-**	**-**	**-**
3.1. Sales	-	-	342	-	-	-
3.2. Redemptions	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1. Income statement	-	-	1,394	-	-	-
- of which capital losses	-	-	-	-	-	-
3.3.2. Shareholders' equity	X	X	48	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	246	-	-	-
4. Closing balance	**-**	**-**	**128,805**	**-**	**-**	**-**

Annual changes in financial liabilities designated at fair value (level 3)
No values have been assigned to any of the items in the table provided for by the Bank of Italy, “Annual changes in financial assets designated at fair value (level 3).”

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

VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30/06/2015				31/12/2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. HTM financial assets	64,558	64,558	-	-	64,697	64,697	-	-
2. Loans to banks	186,783	-	-	186,783	159,347	-	9,031	150,316
3. Loans to customers	2,783,883	-	-	2,783,883	2,360,814	-	-	2,771,202
4. Property and equipment held as investments	-	-	-	-	2,770	-	-	2,770
5. Non-current assets available for sale	-	-	-	-	-	-	-	-
Total	**3,035,223**	**64,558**	**-**	**2,970,665**	**2,587,627**	**64,697**	**9,031**	**2,924,287**
1. Due to banks	716,355	-	-	716,355	1,121,823	-	-	1,121,823
2. Due to customers	2,920,508	-	-	2,920,508	2,013,174	-	-	2,013,174
3. Securities issued	572,245	-	537,653	34,592	689,006	-	638,158	50,847
4. Liabilities associated to assets held for sale	-	-	-	-	-	-	-	-
Total	**4,209,109**	**-**	**537,653**	**3,671,455**	**3,824,003**	**-**	**638,158**	**3,185,844**

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

Risk management and monitoring
In accordance with current regulations, the Group has adopted specific internal policies governing the process of determining its current and prospective capital adequacy in respect of the risks assumed and company strategies (Internal Adequacy Assessment Process or ICAAP) and has redefined and reinforced its risk control, governance and monitoring system, which provides for organisational, regulatory and methodological areas, in accordance with the New Supervisory Provisions for Banks (15th update to Bank of Italy Circular 263/2006).

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

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

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

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

Credit and counterparty risk: the possibility that an unexpected change in the creditworthiness of a counterparty to which the bank has an exposure may generate a corresponding unexpected change in the market value of the credit position. This risk essentially identifies the probability that a borrower will fail to fulfil its obligations or will do so at a delay with respect to the established due dates. Counterparty risk is a sub-case of credit risk, i.e., the risk that a counterparty to a transaction involving certain financial instruments defaults before the transaction is settled.

The risk profile of the Group's loan portfolio, governed by specific internal policies, is monitored throughout all phases of the process, beginning with application review and assessment of the borrower's satisfaction of reliability requirements, through verification of the borrower's creditworthiness, the transaction's risk level, the appropriateness of the return and the current and prospective sustainability of the credit risk.

In accordance with the new prudential regulations and the Group's organisational structure, internal control of credit risk is assigned to the Credit Risk Management Office, which through specific periodic reports pursues the objective of monitoring and measuring the level of credit risk associated with the Group's loan portfolio. The information base consists of the data provided by the Central Risks Database, general records database and economic groups database.

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

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

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

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

As part of the process of achieving compliance with the new supervisory regulations governing the internal control system and risk monitoring, the Group has begun to introduce a second-tier credit risk control system. The main activities for which the Credit Risk Management Office is responsible include verifying that the performances of individual credit exposures, and non-performing exposures in particular, are properly monitored, and assessing the consistency of classifications, the appropriateness of provisions and the adequacy of the recovery process at the central and peripheral level.

It should be noted that the following major changes were introduced in the first half of 2015 in accordance with the Group's objectives of enhancing its loan monitoring and observation area:

- ✓ introduction in production of a new management system in which positions belonging to the various credit risks segments (Corporate, Corporate SME, Retail and Individual) assigned to the various management statuses are classified to portfolios through the application of a new procedure known as the Monitoring Procedure in use at the network and central offices;
- ✓ following the launch of the above management system, the implementation of changes at the level of organisational structure, with the redefinition of the unit responsible for managing anomalous positions: the establishment within the Loan Department of the Anomalous Loan and Pre-Dispute Office (which includes the two previous central operating units) and the Group's Loan Monitoring Office;
- ✓ the adoption of a new calculation system for determining the decision-making body responsible for approving loans, involving the use of expected loss (the credit risk parameters PD, LGD and EAD);
- ✓ the activation within the Lending Area's lending process and IT procedures of new functions that allow potential forborne exposures to be identified, managed and monitored, in accordance with prudential regulations.

With respect to the qualitative aspects of credit risk, in the first half of 2014 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 the inspection concluded in October 2013. 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 affected the net income for the period ended 30 June 2015.

The disbursal of loans in support of the economic development of the Group’s territory of reference remains one of the key factors steering company strategies and is conducted by selecting individual borrowers based on an analysis of their 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 following table presents on-balance sheet exposures to customers as at 30 June 2015:

A. ON-BALANCE-SHEET EXPOSURES	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure 2014-12	Hedging 2014-12
A.1 Banking Group							
Bad loans	451,630	255,499	X	196,130	56.6%	180,187	56.0%
Unlikely to pay	206,729	45,672	X	161,057	22.1%	164,741	26.4%
Past-due loans	42,099	4,400	X	37,699	10.5%	29,508	8.5%
Other assets	2,405,632	X	16,636	2,388,997	0.7%	2,360,814	0.8%
TOTAL A.1	**3,106,090**	**305,571**	**16,636**	**2,783,883**	**10.4%**	**2,735,250**	**10.2%**

(*) The figures as at 31/12/2014 have been determined as the sum of substandard and restructured positions.

Past-due performing exposures
The accounting standard IFRS 7 requires that for all financial assets not subject to impairment losses, entities must disclose the age of the past-due exposure that results when the counterparty fails to make payment on the contractually required due dates. This disclosure is presented in the following table. Exposures renegotiated within the framework of collective agreements are also presented, along with the number of days past due.

	Up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year	Total net exposure
Renegotiated exposures under collective agreements	1.934	0	-	-	1.934
Other exposures	211.603	12.842	21.665	471	246.582
Forbearance Performing	1.524	61	358	-	1.943

Simplified composition with creditors and composition with creditors on a going-concern basis
In its letter of 10 February 2014, the Bank of Italy required that adequate disclosure be provided concerning the extent and performance of exposures subject to simplified composition with creditors and composition with creditors on a going-concern basis. In further detail, borrowers may apply for simplified composition with creditors by filing only their financial statements for the past three years and a list of their creditors, while reserving the option of filing the proposal, plan and additional documentation at a later date, within a term set by the judge of between 60 and 120 days (in justified cases, the term may be extended for an additional 60 days). Within that term, the borrower may also apply to the judge for approval of a debt-restructuring agreement. On the other hand, composition with creditors on a going-concern basis allows debtors in a state of crisis to submit a composition plan according to one of the three following scenarios: i) continuing operation of the company by the debtor; ii) disposal of the company as a going concern; and iii) contribution of the company to one or more firms, including newly incorporated firms.
The amendments (Law No. 134/2012, enacting Law Decree No. 83/2012, known as the “Development Decree,” and Law No. 98/2013, enacting Law Decree No. 69/2013) were introduced with the aim of promoting the early identification of difficulty experienced by an entrepreneur in meeting his obligations, as well as of fostering continuing operation where certain requirements have been met.
With respect to the Bank’s situation, it should be remarked that the portfolio of loans to customers includes gross exposures subject to simplified composition and composition on a going-concern basis classified as bad debt non-performing exposures of € 1,180 thousand, as probable default exposures of € 5,115 thousand, and as performing exposures of € 239 thousand.

Market risk (including basis risk): the possibility of sustaining losses due to changes in the value of an instrument or a portfolio of financial instruments associated with unexpected changes in market conditions (share prices, interest rates, exchange rates, etc.).

Investment and trading activity is conducted in accordance with the guidelines established at the relevant Group levels and is carried out in accordance with specific policies that set operational restrictions in terms of instruments, amounts, investment markets, types of security and issuer.

The investment policies pursued by the Group resulted in the retention of a significant amount of government bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity

reserve. Almost all of the securities concerned have been included among assets available for sale. That portfolio makes a significant contribution to financial performance (in terms of both realised gains and net interest income), with considerable exposure to Italy country risk.
The extremely limited scope of assets held for trading means that the exposure to price risk associated with the securities held in those portfolios is virtually negligible.

Operational risk: the risk of sustaining losses due to the inadequacy or improper functioning of procedures, human resources, internal systems, or to external events. This category includes losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters. Operational risk also includes legal risk and information technology risk but not strategic or reputational risk.
Management of operational risk is thoroughly governed by specific policies that call for the implementation of specific identification and monitoring procedures based in particular on the collection of operational loss data. The data collected are then compared with industry figures provided by the DIPO (Italian Operational Losses Database) Consortium, of which the Group has been a member since 2007.

Concentration risk: the risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, geographical region or business segment.

In the quarterly reports drafted by the Credit Risk Management Office, concentration risk for single names and associated groups is analysed and monitored and concentration risk by geographical area and sector is analysed, with the calculation of capital requirements in both ordinary and stress conditions.

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

Interest rate risk: the risk associated with assets not held for trading, deriving from the possibility that a change in the rates on which the bank's assets and liabilities are indexed may result in an adverse effect on net interest income or the present value of assets and liabilities, and thus a decrease in the economic value of the bank and Group companies. This risk typically manifests itself on positions included in the banking book.
The Banca Popolare di Cividale Group seeks to contain its exposure to interest rate risk primarily by applying consistent parameters to assets and liabilities, and in particular by indexing a large portion of its assets and liabilities on monetary parameters (typically the Euribor rate), as well as the general balancing of the durations of assets and liabilities on low levels.

Measurement of the interest rate risk associated with the banking book is founded upon economic value, defined as the present value of the expected net cash flows generated by assets, liabilities and off-balance sheet positions. In particular, exposure to the interest rate risk associated with the banking book is monitored for the purposes of determining the associated capital absorption on the basis of the Bank of Italy’s regulatory model, applied at both a separate and consolidated level.

Liquidity risk: this the risk that the bank may be unable to fulfil its payment obligations, due to an inability to obtain funds on the market, or that it may be forced to meet its payment obligations while incurring a high cost of funding (*funding liquidity risk*), or the risk that the bank may sustain capital losses due to the presence of limits on the sale of assets regarded as liquid in normal market conditions (*market liquidity risk*).

Operational management of liquidity risk is the responsibility of the Finance Department, through the Finance Service, in line with the funding policy and directives of a strategic nature laid down by the ALCo, which meets with at least monthly frequency. This activity involves the use of appropriate tools for monitoring and surveying operating profiles for liquidity risk.

Through the Operating and Financial Risks Office, the Risk Management Service is responsible for structural aspects and stress analyses, as well as monitoring of the operational limits set by internal rules and the RAF.

Liquidity is monitored by determining the maturity ladder (from an operational and strategic standpoint), which shows the cumulative total net cash balance during each of the forecasting periods, early-warning indicators, and the verification of the contingency test required by the Contingency Funding Plan. The liquidity indicators Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are monitored on the basis of the reporting data periodically produced for supervisory purposes.

Residual risk: the risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected.

Guarantees are a secondary consideration in the loan approval process. Loan approval continues to be based on the borrower's effective ability to repay the amount of the loan. Guarantees are obtained through an operating process, governed by specific internal policies, that is aimed at ensuring that the formal and substantive validity of the documentation are checked. For mortgages, assets are valued by independent appraisers, in accordance with the Italian Banking Association Property Appraisal Guidelines adopted by the Group.

Strategic risk (including the risk associated with equity investments): the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario.
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. According to the new internal rules, the degree of completion of the measures implemented with the aim of achieving the Group's strategic objectives is assessed by the Board of Directors, with the support of the general manager, Executive Committee and risk monitoring function, which is tasked with monitoring the risks associated with that process and reporting on their development, as well as proposing any measures aimed at mitigating those risks.

Reputational risk: the current or prospective risk of a decline in operating result or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank.
It is a risk of a "secondary" nature, given that it is triggered by original risk factors attributable to other types of risks, such as operational risk, legal risk, compliance risk, strategic risk and a lack of ethics in operations.
Considering the wide range of events that may cause reputational damages, all organisational units of a business and operational support nature are involved in the process of managing reputational risk, each to the extent of its competence.

Excessive leverage risk: the risk that a particularly high level of indebtedness with respect to equity may render the bank vulnerable, requiring the adoption of corrective measures to its industrial plan, including the sale of assets involving the recognition of losses that could also entail impairment of the remaining assets.

This risk is assumed in the conduct of the core business, affects the entire financial statements and is closely tied to planning and capital management. The process of managing excessive leverage risk is defined and formalised in a specific policy that entrusts the quarterly monitoring of the risk appetite to the Risk Management Service in the context of the Risk Appetite Framework.

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

Compliance risk is manifested in all processes inherent in company organisation, and in particular in those processes that involve the Bank's operating levels, in all innovative projects that the Bank wishes to undertake, as well as when the regulatory framework of reference changes.

The Compliance function, as a second tier control function, is responsible for identifying and assessing the main risks associated with compliance with consumer-protection laws, as well as those relating to financial intermediation services, anti-usury laws and market abuse statutes. It also verifies management of conflicts of interest and the consistency of the bonus system. From an organisational standpoint, it is a part of the Compliance Service, which is also responsible for compliance with anti-money laundering legislation and oversees the process of reporting suspect transactions.

The function also conducts prior 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. In other legal areas (liability pursuant to Legislative Decree No. 231 of 8 June 2001, workplace safety, personal data processing, ICT, tax law and financial reporting) for which specialised organisational coverage has already been established, the Compliance Service has varying degrees of responsibility and intervention.

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

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

With regard to third pillar disclosure for entities, with effect from 1 January 2014 the prudential supervisory provisions applicable to banks have been consolidated into Bank of Italy Circular 285 of 17 December 2013, the issuance of which is functional to application of Community regulations (the CRR, Regulation EU 575/2013, and the CRD IV, Directive 2013/36/EU) containing the reforms of the Basel Accord ("Basel 3"). The subject matter, as specifically mentioned in Part II, Chapter 13 of the above Circular, is governed directly by the CRR (Part Eight, Disclosure by Institutions, and Part Ten, Title I, Chapter 3) and by the regulations of the European Commission containing regulatory or implementing technical standards. In particular, in accordance with the provisions of the CRR, banks must publish the required information concerning capital adequacy, exposure to risks and the general characteristics of the systems responsible for identifying, measuring and managing such risks with at least annual frequency.

The disclosure documents for entities, which reflect the contents of the annual ICAAP (*Internal Capital Adequacy Assessment Process*) report, are made available on the Bank's website, www.civibank.it.

Internal control system

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

- ✓ the verification of the implementation of company strategies and policies;
- ✓ the containment of risks within the limits established in the determination of the RAF;
- ✓ the effectiveness and efficiency of Company processes;
- ✓ the safeguarding of asset value and protection from losses;
- ✓ the reliability and integrity of company information and IT procedures;
- ✓ the reliability and timeliness of information, and in particular financial reporting and management control information;
- ✓ the prevention of the risk that the Bank may be involved, voluntarily or involuntarily, in illegal activities (with especial regard to those relating to money-laundering, usury and financing for terrorism);
- ✓ transaction compliance with laws and supervisory regulations as well as policies, procedures and internal regulations.

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

Dealings with Group companies and other related parties

The subject is governed by Article 2391-bis of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in accordance with the general principles indicated by Consob, to adopt rules that ensure the “transparency and substantive and procedural propriety of related-party transactions” undertaken directly or through

subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders' meeting.
By resolution 17221 of 12 March 2010, exercising the authority delegated to it under Article 2391-bis of the Italian Civil Code, Consob approved the Regulations for Transactions with Related Parties (also referred to hereinafter as the "Consob Regulations"), subsequently amended by resolution 17389 of 23 June 2010, which lays down the general principles to be observed by companies that obtain funding from the risk-capital market when setting rules aimed at ensuring the transparency and substantive and procedural propriety of transactions with related parties.
In relation to its specific activity, the Bank is also subject to the provisions of Article 136 of the Consolidated Banking Act, as recently amended by Law 221/2012, governing the obligations of bank officers.
On 12 December 2011, the Bank of Italy published new supervisory rules governing risk assets and conflicts of interests within banks and banking groups in regard to "Associated Parties" (ninth update of Circular 263 of 27 December 2006, hereinafter the "Bank of Italy Rules"), in supplementation of the provisions of the Consob Regulation. The definition of Associated Parties includes not only related parties, as defined in the Consob Regulation, but also parties associated with such related parties, as identified in supervisory provisions.
The new rules aim to prevent the risk that the proximity of certain parties to the Bank's decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, and are in addition to, and only partly overlap with, the other applicable provisions on the subject (Article 2391 of the Italian Civil Code, Article 136 of the Italian Consolidated Banking Act, the Consob Regulation and IAS 24).
In 2013 the Banca Popolare di Cividale Banking Group, in accordance with the combined provisions of the regulations cited above, adopted its Procedures for Transactions with Related Parties and Associated Parties (also referred to hereinafter as the "APT BPC Procedures").
On 3 December 2014 the Board of Directors approved the document Dealings with Related Parties and Parties Identified Pursuant to Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code with the aim of grouping together internal conflict of interest rules into a single document. This document brings together the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob Regulation on Transactions with Related Parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers and the related supervisory instructions and, finally, Article 2391 of the Italian Civil Code, Interests of Directors. In accordance with applicable regulations, the document has been published on the website at the address http://www.gruppobancapopolaredicividale.it/it/126/Procedure parti correlate.
With the aim of establishing a consolidated text of internal conflict of interest rules, this document combines the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob regulation on transactions with related parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers, and the related supervisory instructions, and, finally, Article 2391 of the Italian Civil Code, Interests of Directors.

Major transactions
No transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period. In the first half of 2015 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006. However, it should be noted that the merger of Tabogan S.r.l. into Banca Popolare di Cividale was completed in the half-year.

Transactions of an ordinary or recurring nature
The transactions of an ordinary or recurring nature undertaken in the first half of 2015 with related parties are part of the Bank's ordinary operations, 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.

Information on transactions with related parties

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

- ✓ subsidiaries, i.e. companies over which the Parent Company directly or indirectly exercises control, as defined in IAS 27;
- ✓ associates, i.e. companies over which the Parent Company directly or indirectly exercises a significant influence, as defined in IAS 28;
- ✓ joint ventures, i.e. companies over which the Parent Company directly or indirectly exercises joint control, as defined in IAS 31;
- ✓ managers with strategic responsibilities and control bodies, i.e. the Directors, Statutory Auditors, General Manager and Assistant General Managers of the Parent Company;
- ✓ other related parties, including:
  - ✓ immediate family members (cohabiting partners, children, cohabiting partners' children, dependants of the person concerned or cohabiting partner) of Directors, Statutory Auditors or the General Manager of the Parent Company; and
  - ✓ subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, General Managers and Assistant General Managers of consolidated companies, in addition to their immediate family members, as defined above.

The effects of transactions with related parties on the balance sheet are presented in the following summary tables. The effects of transactions undertaken with subsidiaries are not presented, inasmuch as the process of line-by-line consolidation involves the elimination of intragroup balances and transactions.

	SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES
Assets				
Loans to customers	-	8.314	305	11.116
Liabilities				
Due to customers	-	5.892	531	2.104
Income statement				
Net interest income	-	103	(2)	184
Net commission income	-	11	4	44
Other revenues	-	-	-	-
Administrative expenses	-	-	1.241	-
Guarantees and commitments				
Indirect funding	-	-	2.076	5.950

Dealings and transactions between Banca Popolare di Cividale Group companies take place within an organisational model in which the Parent Company is responsible for strategic management and coordination of Group companies. Among other things, this includes providing these companies with key services, thereby achieving significant economies of scale and enabling subsidiaries to focus their resources on their core businesses.

Dealings between Group companies mainly involve the provision of services, deposits and financing as part of ordinary interbank operations, as well as other contractual arrangements for assistance and advisory services and the provisions of specialist services in support of banking and financial operations. Interbank transactions are settled at arm's-length conditions. Other dealings are settled according to specific contractual agreements that – without prejudice to the goal of optimising synergies and generating economies of scale and scope at the Group level – are founded upon ongoing, objective parameters designed to ensure transparency and substantive fairness. Prices for services rendered are calculated and formalised using proven parameters that take account of actual use by each company.

Transactions with related parties other than companies that are part of the Banca Popolare di Cividale S.c.p.A. Group are treated as normal banking operations and are ordinarily settled at arm's-length conditions for operations or offered on any more favourable terms for which employees are eligible.

Banking transactions with groups controlled by the directors of the Company or other Banca Popolare di Cividale S.c.p.A. Group companies are approved in accordance with Article 136 of the Consolidated Banking Act and settled at arm's-length conditions for such transactions.
It should be noted that no transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period.

1. Information concerning the compensation of key management personnel
The following table reports the compensation of the directors, executives and other managers with strategic responsibilities of the Parent Company and other Group companies.

	2015	2014
a) Short-term benefits *	1.241	2.303
b) Post-employement benefits	-	83
c) Other long-term benefits	-	-
d) Termination benefits	-	-
c) Share-based payments	-	-
Total	**1.241**	**2.386**

** The amount indicated includes the remuneration paid to directors of € 272 thousand, to the Board of Statutory Auditors of € 67 thousand and to the Supervisory Board of € 20 thousand.*

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
The following operating segments have been identified for the purposes of segment reporting at 30 June 2015:

- ***Retail and Corporate Bank***, the segment dedicated to banking activity, which includes Banca Popolare di Cividale; and
- ***Leasing***, the segment dedicated to leasing activity that includes the Group's leasing company, Civileasing.

Businesses have been grouped into operating segments in a manner that reflects the similarity of their earnings profiles and of their sectors of operation in terms of the nature of products and processes, customer type, distribution methods and regulatory context.
Segments are categorised by classifying the various Group companies according to their core businesses. The results for each segment are drawn from the separate financial statements of the various entities or combined on the basis of the separate financial statements of the legal entities assigned to each segment, adjusted to reflect consolidated entries deemed immaterial to the results of each individual segment.
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

RECLASSIFIED INCOME STATEMENT	30/06/2015 LEASING	30/06/2015 BANK	30/06/2015 TOTAL	30/06/2014 LEASING	30/06/2014 BANK	30/06/2014 TOTAL
Interest income and similar revenues	3,758	46,628	50,387	4,332	58,470	62,802
Interest expense and similar charges	(1,339)	(15,840)	(17,179)	(1,689)	(25,890)	(27,579)
Net fair value changes in hedge relationships	-	-	-	-	-	-
Dividends and net income (loss) of equity investments accounted for using equity method	-	1,125	1,125	-	1,033	1,033
FINANCIAL INCOME	**2,419**	**31,913**	**34,333**	**2,643**	**33,613**	**36,256**
Net commissions	(85)	11,104	11,019	(60)	10,589	10,529
Other operating income (net of recovered expenses)	146	36	181	173	(30)	143
Net trading income	-	322	322	-	342	342
Gains (losses) from purchase/sale of loans and financial assets	(16)	9,114	9,099	(32)	23,439	23,407
OPERATING REVENUES	**2,464**	**52,490**	**54,954**	**2,724**	**67,953**	**70,677**
Personnel expenses (net of recovered expenses)	(378)	(19,904)	(20,282)	(417)	(19,066)	(19,483)
Other administrative expenses (net of recovered expenses)	(610)	(10,959)	(11,569)	(515)	(12,268)	(12,783)
Net impairment/w rite backs on property, plant and equipment and intangible assets (excluding goodw ill)	(126)	(1,095)	(1,221)	(88)	(1,054)	(1,142)
OPERATING COST	**(1,113)**	**(31,957)**	**(33,071)**	**(1,020)**	**(32,388)**	**(33,408)**
OPERATING INCOME	**1,351**	**(31,957)**	**21,883**	**1,704**	**35,566**	**37,269**
Charges/w rite-backs on impairment of loans	(885)	(19,797)	(20,682)	(1,000)	(21,130)	(22,130)
Charges/w rite-backs on impairment of other assets	-	-	-	-	(1,774)	(1,774)
Net provisions for risks and charges	-	(236)	(236)	-	(703)	(703)
Profit (loss) on disposal of investments	-	-	-	-	(549)	(549)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**465**	**500**	**965**	**704**	**11,409**	**12,113**
Tax on income from continuing operations	(215)	(697)	(912)	(341)	(6,184)	(6,525)
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**250**	**(197)**	**53**	**363**	**5,225**	**5,588**
NET INCOME FOR THE PERIOD	**250**	**(197)**	**53**	**363**	**5,225**	**5,588**

Segment results – Balance-sheet data

ASSETS	30/06/2015 LEASING	30/06/2015 BANK	30/06/2015 TOTAL	31/12/2014 LEASING	31/12/2014 BANK	31/12/2014 TOTAL
Financial assets held for trading	-	3,397	3,397	-	3,032	3,032
Financial assets available for sale	-	1,388,166	1,388,166	18	1,033,821	1,033,838
Financial assets held to maturity	-	64,558	64,558	-	64,697	64,697
Due from banks	1,268	185,515	186,783	1,031	158,316	159,347
Loans to customers	288,036	2,495,847	2,783,883	301,176	2,434,074	2,735,250

LIABILITIES	30/06/2015 LEASING	30/06/2015 BANK	30/06/2015 TOTAL	31/12/2014 LEASING	31/12/2014 BANK	31/12/2014 TOTAL
Due to banks	269,526	446,829	716,355	277,736	844,087	1,121,823
Due to customers	1,156	2,919,352	2,920,508	1,024	2,012,000	2,013,024
Debt securities issued	-	572,245	572,245	-	689,006	689,006

Cividale del Friuli, 7 August 2015
The Board of Directors

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

1. We, the undersigned, Michela Del Piero, in the capacity of Chairperson 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 condensed consolidated half-year financial statements during the period 1 January – 30 June 2015:

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

2. Our review of the adequacy and effective application of the administrative and accounting procedures used to prepare the condensed consolidated half-year financial statements at and for the six months ended 30 June 2015 was based on a model established by Banca Popolare di Cividale S.c.p.A. in accordance with the *Internal Control – Integrated Framework (CoSO)* and the *Control Objectives for Information and Related Technologies (COBIT)*, which represent generally accepted international standards of reference for the internal control system and financial reporting in particular.

3. Furthermore, we do hereby certify that:

3.1. the condensed consolidated half-year 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 important events that occurred in the first six months of the year and their effects on the condensed consolidated half-year financial statements, in addition to a description of the main risks and uncertainties affecting the remaining six months of the year. The interim report on operations also includes a reliable analysis of information regarding material transactions with related parties.

Cividale del Friuli, 7 August 2015

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

Manager responsible for financial reports
Gabriele Rosin
[signed]

Independent Auditors' Report
Report on the limited audit of the condensed consolidated half-year financial statements

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, 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, of Banca Popolare di Cividale S.c.p.A. and its subsidiaries (the "Banca Popolare di Cividale Group") as of June 30, 2015. The Directors of Banca Popolare di Cividale S.c.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

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, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 7, 2015

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

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

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