Banca Popolare di Cividale

Società Cooperativa per Azioni

Interim financial statements at 30 June 2017

A cooperative joint-stock company – founded in 1886

Registered office and headquarters: Via Sen. Guglielmo Pelizzo 8-1, 33043 Cividale del Friuli; Tel. 0432.7071; Fax 0432.730370
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Review report on the interim condensed 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 financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows and the related explanatory notes of Banca Popolare di Cividale S.c.p.A. as of June 30, 2017. The Directors of Banca Popolare di Cividale S.c.p.A. are responsible for the preparation of the interim condensed 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 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 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 financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of Banca Popolare di Cividale S.c.p.A. as of June 30, 2017 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, October 18, 2017

EY 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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A member firm of Ernst & Young Global Limited

Boards and officers of Banca Popolare di Cividale

Board of Directors	
Chairperson	Michela Del Piero
Deputy Chairpersons	Andrea Stedile Guglielmo Pelizzo
Directors	Massimo Fuccaro Alessia Fugaro Riccardo Illy Mario Leonardi Franco Sala Livio Semolič
Board of Statutory Auditors	
Chairperson	Pompeo Boscolo
Standing members	Gianluca Pico Gianni Solinas
Substitute members	Pietro Cicuttini Chiara Repetti
Board of Arbitrators	
Standing members	Aldo Del Negro Ugo Gangheri Giampaolo Piccoli Alessandro Rizza Eugenio Scarbolo
Substitute members	Giuseppe Bertolo Renzo Zanon
Senior management	
General Manager	Federico Fabbro
Acting Assistant General Manager	Gianluca Picotti
Assistant General Manager	Gabriele Rosin
Manager responsible for preparing financial reports	Gabriele Rosin
Independent Auditors	EY S.p.A.

Half-year financial highlights and balance sheet ratios at 30 June 2017

BALANCE SHEET DATA	30/06/2017	31/12/2016	Change %
Loans to customers	2,635,956	2,622,176	0.5%
Financial assets and liabilities	1,334,144	1,370,490	-2.7%
Investments in associates and companies subject to joint	3,879	3,819	1.6%
Total assets	4,240,535	4,271,406	-0.7%
Direct funding	2,458,780	2,554,841	-3.8%
Indirect funding	995,031	973,682	2.2%
- of wich: Assets under management	789,039	751,902	4.9%
Total funding	3,453,811	3,528,523	-2.1%
Shareholders' equity	303,386	303,500	0.0%

			Changes	
Income statement data (€ thousands)	**30/06/2017**	**30/06/2016**	**Amount**	**%**
Net interest income	30,733	31,538	(805)	-2.6%
Net commissions	14,226	11,581	2,645	-22.8%
Dividends and net income (loss) of equity investments accounted for using equity method	774	1,360	(586)	-43.1%
Net trading income	3,643	5,845	(2,202)	-37.7%
Other operating income (expenses)	700	(187)	887	474.5%
Operating income	50,076	50,137	(61)	-0.1%
Operating cost	(35,403)	(35,296)	(107)	0.3%
Income (loss) from operating	14,673	14,841	(167)	-1.1%
Charges/write-backs on impairment of loans	(9,737)	(12,357)	2,620	-21.2%
Charges/write-backs on impairment of financial assets and equity investments	(2,684)	(1,205)	(1,479)	122.7%
Net provisions for risks and charges	(185)	(175)	(10)	5.8%
Tax on income from continuing operations	(1,464)	(991)	(473)	47.8%
Net income for the period	**603**	**113**	**490**	**433.6%**

OPERATING STRUCTURE	30/06/2017	31/12/2016
N° of employees	593	581
Branches	67	67

Profitability ratios	30/06/2017	31/12/2016
Net interest income/Operating Income	61.4%	60.32%
Net commision income/Operating Income	28.4%	23.66%
Cost/income	70.7%	70.38%
Net income for the period/Total Assets	0.01%	0.03%
Net income for the period/RWA	0.03%	0.06%

Structure ratios	30/06/2017	31/12/2016
Loans to customers / Total net assets	62.7%	62.16%
Direct funding / Total net assets	58.4%	60.56%
Assets under management / Indirect funding from customers	79.3%	77.22%
Loans to customers / Direct funding from customers	107.2%	102.64%
Total assets / Shareholders' equity	1397.7%	1407.38%

CREDIT RISK INDICATORS	30/06/2017	31/12/2016
Bad Loans / Loans to customers	15.8%	16.6%
Net bad loans / Loans to customers	6.7%	7.6%
Net charges/write-backs on impairment of loans / Loans to cus	0.37%	0.47%
Cost of risk / Income (loss) from operating	67.6%	70.8%
Net bad loans / Regulatory capital	59.8%	65.7%
Bad loans hedging	13.8%	15.0%
Other impaired loans hedging	48.5%	46.6%
Cost of credit (*)	0.70%	0.84%

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

SOLVENCY RATIOS	30/06/2017	31/12/2016
Common Equity Tier 1 /Risk-weighted assets (CET1 capital rat	12.9%	13.4%
Tier 1 Capital / Risk-weighted assets (Tier1 capital ratio)	12.9%	13.4%
RWA	2,197,994	2,120,818
Total own funds / Risk-weighted assets (Total capital ratio)	13.5%	14.4%

Interim report on operations

The first half of 2017

Executive summary[1]

Economic growth continues to consolidate and extend to various sectors and countries. Within the Euro Area, growth is primarily being driven by domestic demand, although the positive impetus from the external scenario is also contributing to improving prospects to a constantly greater degree. Short-term indicators such as economic surveys confirm that economic growth will remain robust in the near future. Compared to the year ended in March 2017, the macroeconomic forecasts prepared in June by experts from the Eurosystem have been revised upwards and now call for real GDP growth in the Euro Area of 1.9% in 2017, 1.8% in 2018 and 1.7% in 2019.

In the first quarter of 2017, GDP increased by 0.6% in real terms compared to the previous period, following an increase of 0.5% in the fourth quarter of 2016. Economic growth in the Euro Area continued for the fourth consecutive year, and growth strengthened, continuing to be driven, in the first quarter of 2017, by domestic demand. Changes in inventories contributed positively to this trend, whereas the net contribution of trade was not significant. At the level of production, economic activity was primarily driven by robust growth in the construction and service sectors, whereas added value in the industrial sector (excluding construction) increased at a more modest rate.

The recovery is particularly evident in Eurozone job markets, despite persistent considerable unused production capacity. The increase in employment in the Euro Area continued in the fourth quarter of 2016, remaining 1.2% higher than one year earlier. The data drawn from the surveys available up to May suggest additional improvements in job market conditions. Unemployment in the Euro Area continued to decrease in 2017, after peaking in early 2013.

The improvements seen in the Eurozone job market increased real disposable household income and facilitated consumption spending. Private consumption benefited from the constant rise in salaries and wages, which represent the main source of household disposable income, and an essentially stable household savings rate. Improved bank credit conditions, reinforced by the ECB's monetary policy measures, continued to drive household spending.

The Italian economy[2]

According to the most recent available information, the Italian economy is believed to have continued to expand at an estimated rate of approximately 0.2% quarter-on-quarter, albeit with some downside risks. The growth of activity in the service sector is believed to have been more than enough to offset weaker manufacturing, as witnessed by industrial production data for January and February and the most recent figures for freight transport and electrical power consumption. In the survey conducted in March by the Bank of Italy, the views expressed by companies of the current economic situation improved. Investment intentions are favourable overall: companies that reported that their investment expenditures in 2017 would grow outnumbered those who expected a decline by 14 percentage points.

The improvement in the global and European economic situation also facilitated Italy's foreign trade. Exports increased, driven above all by the expansion of EU markets. According to surveys, the outlook for international orders is favourable. At the level of the balance of payments, the current account surplus reached 2.6% of GDP in 2016 and is contributing significantly to the reduction of the country's net international debt position, which declined to 14.9% of GDP (from 25.3% at the end of 2013).

The banking system

Credit to the private sector, and to households in particular, continued to grow in the first few months of the year. However, performance remained uneven between the various business segments and types of companies. Loans to the service sector increased, loans to the manufacturing sector decreased slightly and loans to the construction sector declined.

According to the information that may be gleaned from surveys, supply conditions remain accommodating. Credit quality continues to improve, reflecting the stronger economic situation. Italian bank share prices rallied, also benefiting from the very positive start to the recapitalisation process.

1 Source: ECB's Economic Bulletin

2 Source: The Bank of Italy's Bollettino Economico.

Improved economic prospects are gradually having a favourable impact on the credit quality of Italian banks. In the fourth quarter of 2016, the flow of new bad debts, as a percentage of total loans, declined by three-tenths of a point to 2.3% (net of seasonal factors and on an annual basis). The indicator fell by five-tenths for loans to companies (to 3.6%) and by two-tenths for loans to households (to 1.5%).

***Cooperative bank lending*[3]**

The figures for cooperative banks in early 2017 were positive. Deposits increased by over 3%, and by nearly 7% for current accounts. Loans also grew by more than 1%. New loans to small and medium enterprises amounted to approximately €2 billion in June alone, reaching the level of 2016, when total new loan flows were over €30 billion. New mortgages for the purchase of homes exceeded €13 billion in 2016 and amounted to approximately €1 billion in January 2017.

Outlook

The European Central Bank's outlook is that investments by companies will continue to recover. This recovery will be driven by various factors, including financing conditions that will continue to be very positive, supported by the highly accommodating monetary policy implemented by the ECB, the need to modernise capital levels after several years of modest investments, above-average capacity utilisation rates and high profit margins in the non-financial sector. The current expansion of economic activity in the Euro Area is expected to continue, supported by the ECB's monetary policy measures, which will be transmitted to the real economy. Domestic demand is expected to be sustained by various positive factors. Very favourable financing conditions and low interest rates are continuing to promote a recovery of investments as profits rise and there is less need to reduce leverage. The increase in private consumption should benefit from a further improvement in job market conditions, due in part to labour market reforms. Exports will be favoured by the positive effects of the cyclical recovery outside the Euro Area, which will probably gain momentum. However, despite the ongoing improvements, economic growth in the region is expected to be slowed by the sluggish implementation of structural reforms and the budget adjustments that still remain to be made in various sectors.

3 Source: Assopopolari

Banca Popolare Di Cividale

Auditing of the interim financial statements

At Banca Popolare di Cividale, statutory auditing is conducted by an auditing firm that renders the services provided for in Article 14, paragraph 1, of Legislative Decree No. 39 of 27 January 2010. The independent auditors express an opinion of the annual financial statements in a specific report, in addition to drafting a limited audit report on the half-yearly financial report. At present, the firm EY S.p.A. has been engaged to conduct statutory auditing of the Bank.

The branch network of Banca Popolare di Cividale

The Bank's branch network consisted of 67 operational branches at 30 June 2017.

The human resources of Banca Popolare di Cividale

At 30 June 2017 human resources numbered 593, compared to 581 at 31 December 2016.

Key operating events in the first half of the year

Approval of the new organisational structure

In order to increase the operational efficiency and simplicity of the chain of command within the head office's organisational structure, the Bank has revised its organisation chart, redistributing managerial responsibilities as part of an ongoing process of comprehensive transformation, without any changes to operating processes, pending the full migration of IT systems.

Formation of real-estate companies

During the half-year, two real-estate companies were formed with the strategic objective of purchasing assets in foreclosure sales in order to maximise the recovery of loans to insolvent customers.

Start of operation by Civiesco

CiviESCo is an energy service company formed in 2016. The company has been a fully-owned subsidiary of Banca Popolare di Cividale since June 2017 and has been UNI 11352:2014 certified since April 2017. Like all ESCos, it carries out projects aimed at improving energy efficiency, assuming the risk associated with the initiative and thus freeing the end client of all organisational and financial responsibilities. The savings achieved are the mechanism whereby the ESCo is compensated for its services. CiviESCo is mainly focused on the public sector, where it aims in particular to facilitate energy efficiency projects carried out through project financing by public-private partnership, in accordance with the new Tender Code (Legislative Decree No. 50/2016). UNI 11352:2014 certification is essential to doing business with the public sector according to the project financing approach. The projects undertaken for the public sector will involve local businesses, which will plan and execute the work, in some cases through business networks.

Listing on Hi-MTF

Since June, shares of Banca Popolare di Cividale have been admitted to listing on the multilateral facility Hi-MTF, instituted and managed by Hi-MTF SIM, in accordance with the European Markets in Financial Instruments Directive (MiFID), and recognised by Consob, the Italian financial markets supervisory authority. The application for admission was approved on 19 June by the Hi-MTF market, along with that of other Italian regional banks. Trading orders for the shares began to be accepted on 26 June, whereas the first weekly auction was held on Friday, 30 June.

The opening price of the shares was set by the Bank at €15.00 on the basis of the opinion issued by Deloitte Financial Advisor S.r.l., an independent expert meeting high standards of professionalism tasked with conducting this assessment, as required by the law.

Subsequent events

With the exception of the foregoing, from the end of the first half of 2017 to the date of approval of this report there were no other material events with a significant effect on either the financial performance and financial position of the Company or the representation thereof.

Analysis of main balance sheet aggregates and earnings results

Earnings results

In the first half of 2017, Banca Popolare di Cividale recorded net income of €603 thousand.

Net interest income was €30,733 thousand in the first half of the year, down by 2.6% compared to June 2016. Net interest income on business with customers increased by 3.6% on the comparative period, primarily due to the effect of repricing measures affecting funding. The commercial spread improved to 2.04%, despite increasing competitive pressure on the rates of return on assets. The change in net interest income was thus mainly attributable to the declining yields of the government bonds in the proprietary portfolio.

Net commission income was €14,226 thousand, up by 22.8% on 30 June 2016, driven by the performance of commissions in the "*management, intermediation and advisory*" area, which rose by 42.4%. There were also increases in commissions on payment systems (+16%), the management of current accounts (+11%) and loans (+24%).

Net trading income was €3,643 thousand, almost entirely attributable to proprietary securities.

Operating revenues were €50,076 thousand.

Operating expenses amounted to €35,403 thousand, essentially unchanged on the comparative period, and include €1,489 thousand of contributions to the banking resolution fund and "non-recurring" expenses of €860 thousand related to the imminent change of the IT outsourcer. Personnel expenses reached €20,462 thousand, whereas other administrative expenses amounted to €13,763 thousand. Net adjustments to property, plant and equipment and intangible assets came to €1,178 thousand.

Net operating income amounted to €14,673 thousand.

Net impairment losses on loans and other financial assets totalled €9,737 thousand, with an annualised loan loss rate of 70 basis points and an overall level of coverage of non-performing loans of 48.5%. **Net impairment losses on financial assets** amounted to €2,684 thousand and referred primarily to impairment losses on equity securities and funds classified to the AFS portfolio.

Net provisions for risks and charges were €185 thousand, attributable to updated assessments of ongoing litigation.

Income before tax from continuing operations thus amounted to €2,067 thousand. Income taxes for the period amounted to €1,464 thousand.

The **net income for the period** amounted to €603 thousand.

Balance sheet aggregates

At 30 June 2017 **loans to customers** amounted to €2,635,956 thousand, up by 0.5% from the end of 2016. During the half-year, total new disbursements exceeded €191,086 thousand. During the year, new loans to individuals reached €72,874 thousand (+13% on the previous year), whereas new loans to businesses climbed to €118,212 thousand (+84% on June 2016). The creation of new NPEs (non-

performing exposures) is constantly declining, confirming that the most acute phase of the crisis has passed (-36.0% YoY).
At the end of the period, non-performing exposures (NPEs), net of adjustments, amounted to €364,530 thousand, **down by 7.5%** on December 2016, with a coverage ratio of 48.5%, compared to 46.6% in December 2016. In detail, net non-performing exposures were €177,826 thousand, **a decrease of 11.3%** compared to December 2016, with a coverage ratio of 62.4% (59.4% in December 2016). Unlikely to pay exposures stood at €173,460 thousand, a **reduction of 2.6%** with respect to the end of the previous year, resulting in a coverage ratio of 21.2%, whereas past due exposures were €13,244 thousand (**down by 15.3%** compared to December 2016), with a coverage ratio of 11.6%.

Direct funding, stated net of the component relating to central counterparties, amounted to €2,458,780 thousand, a decrease of 3.8% on the end of 2016. The decline was primarily due to the repayment during the half-year of institutional bonds for a total of €112,990 thousand. Direct funding from ordinary customers grew (+1.0%).

Indirect funding rose to €995,031 thousand at the end of the period, compared to €973,682 thousand at the end of 2016. The “asset management” component rose by 4.9%, climbing from €751,902 to €789,039 thousand and accounting for 79% of total indirect funding.

Financial assets were €1,335,060 thousand, down by 2.6% compared to the end of 2016, and were essentially represented by Italian government bonds carried in the available-for-sale portfolio with an average duration of 2.20 years. **Capital gains** accrued on the securities portfolio, carried among equity already net of the tax effect, amounted to €7,128 thousand.

The one-month **net liquidity balance** was €185,836 thousand. Total eligible assets available amounted to €1,399 thousand, already net of the related haircut. The exposure to the ECB for long-term refinancing transactions, corresponding to the TLTRO II programme, was €555,670 thousand. The liquidity indicators LCR and NSFR (in effect since 1 January 2018) exceeded the regulatory requirements.

Shareholders’ equity and capital adequacy

Shareholders' equity

Shareholders' equity stood at €303,386 thousand at 30 June 2017.
In application of the transitional rules in effect since 2014, Common Equity Tier 1 (CET1), without including the net income for the period ended 30 June 2017, was €297,516 thousand, compared to risk-weighted assets (RWAs) of €2,197,994 thousand.
Capital ratios were as follows:

- ✓ the "phased in" Common Equity Tier 1 ratio was 12.9%;
- ✓ the "phased in" Tier 1 ratio was 12.9%;
- ✓ the "phased in" Total Capital ratio was 13.5%.

These ratios are far in excess of the minimum regulatory levels established by the supervisory authority and place the Bank near the top of the Italian banking industry.
The "fully loaded" Common Equity Tier 1 ratio was 13.3% and the "fully loaded" Total Capital Ratio was 13.8%.

Quantitative disclosures

	30/06/17	31/12/16	%
A. Common Equity Tier 1 capital (CET1) before the application of prudential filters	**300,670**	**301,852**	**-0.4%**
of which instruments of CET1 subject to transitional provisions	-	-	0.0%
B. CET 1 prudential filters (+/-)	-	-	-
C. CET1 gross of elements to be deducted and of the effects of the transitional regime (A+/-B)	300,670	301,852	-0.4%
D. Elements to be deducted from CET1	(8,575)	(5,659)	51.5%
E. Transitional regime - Impact on CET1 (+/-)	(7,819)	(11,905)	-34.3%
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**284,276**	**284,288**	**0.0%**
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and of the effects of the transitional regime	-	-	-
of which instruments of AT1 subject to transitional provisions	-	-	-
H. Elements to be deducted from AT1	-	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-	-
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	-	-	-
M. Tier 2 capital (T2) gross of elements to be deducted and of the effects of transitional	**12,676**	**18,490**	-31.4%
of which instruments of T2 subject to transitional provisions	**1,636**	**5,234**	-68.7%
N. Elements to be deducted from T2	**(494)**	**(19)**	**2500.0%**
O. Transitional regime - Impact on T2 (+/-)	1,058	2,023	-47.7%
P. Total Tier 2 capital (Tier 2 - T2) (M-N+/-O)	13,734	**20,494**	**-33.0%**
Q. Total own funds (F+L+P)	**297,516**	**304,782**	**-2.4%**

Capital adequacy

	Unweighted amounts		Weighted amounts / requirements	
	30/06/17	31/12/16	30/06/17	31/12/16
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**5,534,694**	***5,647,114***	**2,024,576**	***1,948,588***
1. Standard methodology	5,534,694	*5,647,114*	2,024,576	*1,948,588*
2. Methodology based on internal ratings				
2.1 Base				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			161,966	155,887
B.2 CREDIT VALUATION ADJUSTMENT RISK			53	72
B.3 SETTLEMENT RISK			-	-
B.4 MARKET RISK			307	193
1. Standard methodology			307	193
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			13,513	13,513
1. Base methodology			13,513	13,513
2. Standard methodology			-	-
3. Advanced methodology			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			175,840	169,665
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2,197,994	2,120,818
C.2 Common Equity Tier 1 / Risk-weighted assets (CET 1 capital ratio)			12.9%	13.4%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			12.9%	13.4%
C.4 Total own funds / Risk weighted assets (Total capital ratio)			13.5%	14.4%

Risks and uncertainties

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

In any event, there are no signs in the financial structure, earnings or cash flow performance of the Bank that might lead to uncertainty regarding its ability to continue to operate as a going concern.

Interim financial statements
Financial statements
Balance sheet

Balance sheet - Assets		30/06/2017		31/12/2016	
10	Cash and cash equivalents		17,420,294		15,844,098
20	Financial assets held for trading		5,283,531		3,191,925
40	Financial assets available for sale		1,307,753,020		1,335,562,968
50	Invetments held to maturity		22,023,671		32,528,761
60	Due from banks		32,731,604		52,226,040
70	Loans to customers		2,635,956,433		2,622,175,773
100	Investments in associates and companies subject to joint		3,879,320		3,819,320
110	Property and equipment		81,013,938		81,270,934
120	Intangible assets		3,944,129		3,968,085
	of which:				
	- goodwill	3,795,975		3,795,975	
130	Tax assets		77,279,838		78,775,271
	a) current	15,678,474		15,678,474	
	b) deferred	61,601,364		63,096,797	
	of which convertible into tax credit (Law no. 214/2011)	*50,015,330*		*52,213,806*	
150	Other assets		53,249,102		42,042,816
	Total assets		**4,240,534,880**		**4,271,405,991**

Balance sheet - liabilities and shareholders' equity		30/06/2017		31/12/2016	
10	Due to banks		738,722,333		518,976,218
20	Due to customers		2,852,824,449		3,039,777,468
30	Debt securities issued		206,380,815		324,206,384
40	Financial liabilities held for trading		916,162		793,710
80	Tax liabilities		6,465,753		6,847,672
	a) current	1,820,973		1,683,103	
	b) deferred	4,644,780		5,164,569	
100	Other liabilities		123,502,123		67,941,850
110	Employee termination benefits		5,410,805		5,684,816
120	Provisions for risk and charges:		2,926,932		3,677,716
	b) other provisions	2,926,932		3,677,716	
130	Valuation reserves		16,628,881		17,346,530
160	Reserves		68,218,633		66,985,633
170	Share premiums		167,021,739		167,021,739
180	Share capital		50,913,255		50,913,255
200	Net income (loss) for the period (+/-)		603,000		1,233,000
	Total liabilities and shareholders' equity		**4,240,534,880**		**4,271,405,991**

Income statement

Income statement		30/06/2017		30/06/2016	
10	Interest income and similar revenues		39,937,756		42,270,731
20	Interest expense and similar charges		(9,204,545)		(10,732,501)
30	**Net interest income**		**30,733,211**		**31,538,230**
40	Commission income		16,003,718		13,943,181
50	Commission expense		(1,777,666)		(2,362,390)
60	**Net commission income**		**14,226,052**		**11,580,791**
70	Dividends and similar income		773,765		1,359,755
80	Net trading income		(4,215)		(163,625)
100	Profit (loss) on disposal or repurchase of:		3,647,422		6,008,784
	a) loans	(227,523)		(146,178)	
	b) financial assets available for sale	3,875,695		6,332,321	
	d) financial liabilities	(750)		(177,359)	
120	**Total income**		**49,376,235**		**50,323,935**
130	Charges/write-backs on impairment of:		(12,421,149)		(13,044,054)
	a) loans	(9,736,747)		(12,356,777)	
	b) financial assets available for sale	(2,676,314)		(704,122)	
	d) other financial transactions	(8,088)		16,845	
140	**Net Financial income**		**36,955,086**		**37,279,881**
150	G&A expenses:		(38,039,639)		(37,832,626)
	a) personnel expenses	(20,462,459)		(20,813,500)	
	b) other administrative expenses	(17,577,180)		(17,019,126)	
160	Net provisions for risks and charges		(185,221)		(175,000)
170	Net impairment/write-backs on property, plant and equipment		(1,153,927)		(1,198,600)
180	Net impairment/write-backs on intangible assets		(23,957)		(29,493)
190	Other operating income (expenses)		4,514,716		3,577,552
200	**Operating cost**		**(34,888,028)**		**(35,658,167)**
210	Profit (loss) on equity investments		-		(518,149)
250	**Income (loss) before tax from continuing operations**		**2,067,058**		**1,103,565**
260	Tax on income from continuing operations		(1,464,058)		(990,565)
270	**Income (loss) after tax from continuing operations**		**603,000**		**113,000**
290	**Net income for the period**		**603,000**		**113,000**

Statement of comprehensive income

		30/06/2017	31/12/2016
10	Net profit for the year	603,000	1,233,000
	Other income net of income taxes without transfer to profit and loss account		
40	Actuarial gains (losses) from defined benefit plans	111,306	(268,359)
100	AFS financial assets	(828,955)	(5,693,229)
130	Total other income, net of income taxes	(717,649)	(5,961,588)
140	Comprehensive income (10 + 130)	(114,649)	(4,728,588)

Statement of changes in shareholders' equity

Year 2017	Balance at 31/12/2016	Change in opening balance	Balance at 01/01/2017	Allocation of result for previous period		Changes during the year								Shareholders' equity at 30/06/2017
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Share capital	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) ordinary shares	50,913,255		50,913,255	-	-			-	-	-	-	-	-	50,913,255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167,021,739**		**167,021,739**		-			-	-	-	-	-	-	**167,021,739**
Reserves	**66,985,633**		**66,985,633**	**1,233,000**	-	-	-	-	-	-	-	-	-	**68,218,633**
a) income	66,985,633		66,985,633	1,233,000	-			-	-	-	-	-	-	68,218,633
b) other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**17,346,530**		**17,346,530**										**(717,649)**	**16,628,881**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares								-						
Net income (loss) for the period	**1,233,000**		**1,233,000**	**(1,233,000)**		-	-	-	-	-	-	-	**603,000**	**603,000**
Shareholders' equity	**303,500,157**		**303,500,157**	-	-	-	-	-	-	-	-	-	**(114,649)**	**303,385,508**

Year 2016	Balance at 31/12/2015	Change in opening balance	Balance at 01/01/2016	Allocation of result for previous period		Changes during the year								Shareholders' equity at 30/06/2016
							Equity transactions							
				Reserves	Dividends and other us	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Share capital	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) ordinary shares	50,913,255		50,913,255	-	-			-	-	-	-	-	-	50,913,255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167,021,739**		**167,021,739**		-			-	-	-	-	-	-	**167,021,739**
Reserves	**48,273,959**		**48,273,959**	**18,711,675**	-	-	-	-	-	-	-	-	-	**66,985,633**
a) income	48,273,959		48,273,959	18,711,675	-			-	-	-	-	-	-	66,985,633
b) other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**23,308,118**		**23,308,118**										**(3,989,428)**	**19,318,690**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares			-					-						
Net income (loss) for the period	**24,053,000**		**24,053,000**	**(18,711,675)**	**(5,341,325)**	-	-	-	-	-	-	-	**113,000**	**113,000**
Shareholders' equity	**313,570,071**		**313,570,071**	-	**(5,341,325)**	-	-	-	-	-	-	-	**(3,876,428)**	**304,352,317**

Statement of cash flows

OPERATING ACTIVITY	30/06/17		30/06/16	
1. Operations		**40,854,917**		**24,678,862**
- interest income received (+)	47,425,090		42,557,134	
- interest expense paid (-)	5,852,154		(7,223,958)	
- net commissions (+/-)	14,552,700		14,670,491	
- staff costs	(16,498,450)		(16,896,990)	
- other expenses (-)	(18,803,222)		(18,020,082)	
- other revenues (+)	8,326,645		9,592,267	
2. Liquidity generated/absorbed by financial assets: (+/-)		**(4,716,139)**		**(172,459,931)**
- financial assets held for trading	(2,091,606)		(9,097,408)	
- financial assets available for sale	25,133,634		(202,772,106)	
- loans to custumers	(27,680,965)		37,854,271	
- due from banks: repayable on demand	(8,544,242)		(26,083,224)	
- due from banks: other	27,686,079		28,935,547	
- other assets	(19,219,039)		(1,297,011)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(44,824,497)**		**147,084,801**
- due to banks: repayable on demand	15,827,917		17,621,045	
- due to banks: other	203,411,349		(116,818,483)	
- due to customers	(194,162,082)		339,547,350	
- securities issued	(117,934,283)		(79,151,658)	
- financial liabilities held for trading	122,452		(10,632)	
- other liabilities	47,910,150		(14,102,821)	
Net liquidity generated/absorbed by operating activity A (+/-)		**(8,685,719)**		**(696,268)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**773,765**		**1,359,755**
- dividends received on equity investments	773,765		1,359,755	
2. Liquidity absorbed by: (-)		**9,488,150**		**3,540,467**
- purchase of equity investments	(60,000)		2,090,000	
- purchase of financial assets held to maturity	10,505,090		344,212	
- purchase of property, plant and equipment	(956,939)		1,076,762	
- purchase of intangible assets	(1)		29,493	
Net liquidity generated/absorbed by investing activity B (+/-)		**10,261,915**		**4,900,222**
FUNDING ACTIVITY				
- distribution of dividends and other uses	-		(5,341,325)	
Net liquidity generated/absorbed by funding activity C (+/-)		-		**(5,341,325)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**1,576,196**		**(1,137,371)**

RECONCILIATION		
Financial statement items		
Cash and cash equivalents at the start of the period E	15,844,098	18,381,417
Total net liquidity generated/absorbed during the period D	1,576,196	(1,137,371)
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**17,420,294**	**17,244,046**

Notes

Accounting policies

Statement of compliance with international accounting standards

Pursuant to Legislative Decree No. 38 of 28 February 2005, these interim 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. The financial statements have been prepared in condensed form in accordance with IAS 34. Consequently, they do not include all of the disclosures required in the annual financial statements and must be read in conjunction with those prepared as at 31 December 2016.

The accounting policies adopted are consistent with those adopted for the financial statements at 31 December 2016, with the exception of the new standards, amendments and interpretations in effect from 1 January 2017.

There were no newly approved European regulations in the first half of 2017.

IFRS 9 *Financial Instruments*

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

The “classification and measurement” of financial assets will depend on the business model and the cash flow characteristics of the financial instrument. These elements will determine the method of measuring the financial instrument, which may be amortised cost, fair value through profit or loss or fair value through other comprehensive income.

In most cases, the results of classification and measurement may be regarded as consistent with those resulting from the application of IAS 39, but potential differences currently cannot be excluded.

The combined effect of the application of the business model and cash flow characteristics of the instrument may entail a different allocation among instruments at fair value and amortised cost than under IAS 39.

It should also be noted that embedded derivatives no longer need to be separated for all financial assets.

The classification of financial liabilities has not changed substantially compared to IAS 39. For financial liabilities at fair value, changes in the creditworthiness of the instruments are to be accounted for in an equity reserve rather than in profit or loss, as instead required by IAS 39.

The Standard sets out a single impairment model to be applied to all financial assets not measured at fair value through profit or loss, with a particular emphasis on setting rules for calculating impairment losses according to a uniform concept of expected loss. Specifically, upon initial recognition, impairment losses will be determined on the basis of the expected loss in 12 months. However, if there is a significant increase in credit risk compared to the date of initial recognition, impairment losses must be determined on the basis of the expected loss calculated for the entire life of the financial instrument.

Financial instruments are classified to three distinct "stages" on the basis of the above elements:

- ✓ stage 1 includes performing financial instruments for which a significant decrease in credit risk compared to the date of initial recognition has not been observed. Impairment is determined collectively on the basis of the expected credit loss at one year;

- ✓ stage 2 includes performing financial instruments for which a significant increase in credit risk compared to the date of initial recognition has been observed. Impairment is determined collectively on the basis of the lifetime expected credit loss;

- ✓ stage 3 includes non-performing financial instruments, assessed individually on the basis of the lifetime expected credit loss of each instrument.

The expected loss used must consider all available information, including information concerning past events, current conditions and forecast economic conditions.

In terms of impact on the income statement, recognition of impairment will be more focused on the forward-looking component and, at least upon initial application, will entail an increase in impairment losses compared to the current provisions of IAS 39 (incurred loss model).

The impact on the balance sheet of initial application of the new standard currently cannot be reliably.
The revised standard aims to simplify hedge accounting by creating a stronger link to risk management strategies. The standard does not govern macro hedge accounting, which will be handled in a separate project.
In addition, on this subject IFRS 9 also allows for the use of certain accounting treatments within the scope of IAS 39.
Application of IFRS 9 is mandatory from 1 January 2018, with the possibility of early application of all of the standard or of just those parts relating to the accounting treatment of creditworthiness for financial liabilities at fair value.
In 2016 the Bank began a process aimed at updating internal procedures and processes to ensure compliance with the provisions of the new accounting standard. The project has several main pillars, defined on the basis of the three stages of the process of revising the standard. Each branch of the project involves various work teams relating to the accounting framework, impacts and planning, measurement models and analysis of the impact on the loan portfolio, in addition to the organisational and IT work that will be necessary, to be analysed with the new IT outsourcer. The project envisages the joint responsibility of Administration and Loans and Risk, with the involvement of Organisation, IT and the operating services.
With respect to classification and measurement, the work being done concerns the analysis of the portfolios created for the purposes of definition of the new classification, definition of the process for implementing the new rules (SPPI Test and Business Model) and the drafting of the first guidelines. The analysis of the characteristics of the contractual cash flows of the instruments (SPPI Test) was performed on the Bank's securities and loans portfolios as at June and December 2016. The results of the classification and measurement may be regarded as consistent with those deriving from the application of IAS 39, with the exception of some residual types of instruments, which must be reclassified as financial assets designated at fair value through profit or loss.
In the case of impairment, specific analyses were conducted for transactions in loans and securities. The analyses conducted primarily concerned the definition of the factors that trigger reclassification from stage one to stage two and the parameters and models to be used to calculate expected loss, particularly with regard to the lifetime component. The factors that will represent the main determinants considered for the purposes of the transitions between the various stages will be the change in the likelihood of lifetime default compared to the time of initial recognition, the presence, if any, of amounts past due by more than 30 days and the presence of forbearance measures, if any. Finally, the rest of the analyses will assess, where appropriate, some indicators of credit monitoring systems specifically used by the Bank.
The main impact of the application of the new standard will derive from the adoption of the provisions concerning impairment. In particular, for performing financial assets not designated at fair value through profit or loss, previously subject to impairment on the basis of the provisions of IAS 39, incurred but not reported loss will give way to the expected credit loss (stage one) or the lifetime expected credit loss, with significant increases in impairment losses, above all for financial assets classified to stage two. As specified above, the Bank is currently working on the definition of calculation models, and the rules for classification between the various stages are being defined. The impact, recognised in equity on the initial application of the standard, cannot yet be definitively determined. There are two general possibilities once the standard is in full effect:

- ✓ the impact resulting from the determination of the lifetime expected loss on loans classified to stage two increases as the residual duration of the portfolio grows;
- ✓ the income statement is more volatile, due to the reclassification of financial instruments from stage one to stage two, and vice versa.

The aspects relating to own funds and capital ratios are still being defined by regulators.
The project will continue in the coming months, with the involvement of the new IT outsourcer, so as to adapt and modify existing operating processes, design new processes and adjust their size, where necessary.

IFRS 15 Revenue from Contracts with Customers
The IASB published IFRS 15 *Revenue from Contracts with Customers* in May 2014. Application of the Standard, which replaces the standards and interpretations previously issued in this area (IAS 18 *Revenues* and IAS 11 *Construction Contracts*, and the interpretations IFRIC 13 *Customer Loyalty*

Programmes, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenues - Barter Transactions Involving Advertising Services)* is mandatory from 1 January 2018, and early application is permitted.
The Standard introduces a single model for recognising revenues, applicable to all contracts with customers, with the exception of lease contracts, insurance contracts and financial instruments that call for the recognition of revenues on the basis of the consideration that is expected to be received for the goods and services rendered.
The new Standard introduces a method divided into five steps for analysing transactions and defining the recognition of revenue on the basis of both the timing and amount of revenue: identification of the contract with the customer; identification of the performance obligations envisaged in the contract; identification (where necessary, according to estimates) of the consideration for the transaction; allocation of the consideration for the transaction to the contractual performance obligations; and recognition of revenue on the basis of the fulfilment of the contractual performance obligations.

IFRS 16 Leasing
In January 2016 the IASB issued IFRS 16 Leasing, application of which is mandatory from 1 January 2019. The Standard introduces new rules for accounting for lease contracts for both lessors and lessees and replaces the standards and interpretations previously issued in this area (IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). A lease is defined as a contract that grants the lessee the right to use an asset for a period of time in exchange for a fee.
IFRS 16 eliminates the distinction between operating and finance leases for the lessee and establishes a new accounting treatment. Lessees must recognise liabilities on the basis of the present value of future rent, with a contra entry recognising the right to use the leased property. The current accounting rules essentially remain in effect for the lessor.
Once it has changed its IT outsourcer, the Bank will begin a process of identifying outstanding lease agreements for which accounting rules different from those currently in force will need to be applied in order to assess the impact thereof on the income statement and balance sheet.

General basis of preparation of the interim financial statements
The interim 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 interim financial statements at 30 June 2017 are accompanied by a statement by the manager responsible for preparing financial reports, pursuant to Art. 154-*bis* of the Consolidated Law on Finance, and are subject to a limited audit by EY S.p.A., following the award of the independent auditing assignment to that company 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 will continue to operate as a going concern for the foreseeable future. Accordingly, the financial report at 30 June 2017 has been prepared on such a going-concern basis. The Directors further confirm that they have not found any cause for doubt on the subject of the going-concern principle at the level of financial position or operating performance. Loans have been classified and measured according to the customary conservative approach aimed at duly and properly capturing the consequences of the adverse development of the current economic scenario. The speed and extent of the exacerbation of the crisis have required constant revision of loans that previously showed signs of distress as well as those without any outward symptoms of deterioration. In addition, specific 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 2016 financial statements, to which the reader is therefore referred. For

further information concerning credit and financial risks, the reader is referred to the chapter on risk management.

Use of estimates and assumptions in preparing the interim financial statements

In preparing the interim 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 annual financial statements, when all required information is available, unless there are significant indicators of impairment that require immediate assessment of possible losses.

Contributions to European deposit guarantee schemes and resolution mechanisms

In the first half of 2017 the Bank recognised a contribution of €1,489 thousand, gross of the tax effect, to the National Resolution Fund for the rescue of struggling banks, in addition to the €13,962 thousand paid in 2015 and 2016.

Earnings results

Reconciliation of the income statement and reclassified income statement

RECLASSIFIED INCOME STATEMENT	Income statement	30/06/2017	30/06/2016
Net interest income (including result of hedging)	30 - Net interest income	30,733	31,538
Total Net interest income		**30,733**	**31,538**
Dividends and net income (loss) of equity investments accounted for using equity method	70 - Dividends and similar income	774	1,360
Total Dividends and net income (loss) of equity investments accounted for using equity method		**774**	**1,360**
Net commissions	**60 - Net commissions**	**14,226**	**11,581**
Other operating income (net of recovered expenses)	190 - Other operating income (expenses)	4,515	3,578
	190 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(3,815)	(3,764)
Total Other operating income (net of recovered expenses)		**700**	**(187)**
Net trading income	80 - Net trading income	(4)	(164)
	100 - Profit (loss) on disposal or repurchase of:	0	0
	a) loans	(228)	(146)
	b) financial assets available for sale	3,876	6,332
	d) financial liabilities	(1)	(177)
Total Gains (losses) from purchase/sale of loans and financial assets		**3,643**	**5,845**
OPERATING REVENUES		**50,076**	**50,137**
Personnel expenses (net of recovered expenses)	150 a) personnel expenses	(20,462)	(20,814)
Other administrative expenses (net of recovered expenses)	150 b) other administrative expenses	(17,577)	(17,019)
	190 (partial) - Other operating income (expenses) - Recovery of indirect taxes	3,815	3,764
Total Other administrative expenses (net of recovered expenses)		**(13,763)**	**(13,255)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	170 - Net impairment/write-backs on property, plant and equipment	(1,154)	(1,199)
	180 - Net impairment/write-backs on intangible assets	(24)	(29)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(1,178)**	**(1,228)**
OPERATING COST		**(35,403)**	**(35,296)**
INCOME (LOSS) FROM OPERATING		**14,673**	**14,841**
Charges/write-backs on impairment of loans	130 a) loans	(9,737)	(12,357)
Charges/write-backs on impairment of other assets	130 b) financial assets available for sale	(2,676)	(704)
	130 d) other financial transactions	(8)	17
Charges/write-backs on impairment of goodwill and equity investments	210 - Profit (loss) on equity investments	-	(518)
Total Charges/write-backs		**(12,421)**	**(13,562)**
Net provisions for risks and charges	160 - Net provisions for risks and charges	(185)	(175)
Income (loss) before tax from continuing operations		**2,067**	**1,104**
Tax on income from continuing operations	260 - Tax on income from continuing operations	(1,464)	(991)
Income (loss) after tax from continuing operations		**603**	**113**
NET INCOME FOR THE PERIOD		**603**	**113**

Net interest income

Net interest income	30/06/2017	30/06/2016	%
Relations with customers	27,803	29,034	-4.2%
Debt securities issued	(2,289)	(4,376)	-47.7%
Certificates of deposit	(96)	(128)	-25.0%
Net income from customers	25,419	**24,530**	**3.6%**
Financial assets AFS	3,780	6,773	-44.2%
Financial assets HTF	19	46	-58.1%
Financial assets L&R	-	1	-100.0%
Financial assets HTM	554	715	-22.5%
Capitalization policies	205	169	21.6%
Financial assets	4,558	**7,703**	**-40.8%**
Relations with banks	800	(696)	-215.0%
Other net interest	(43)	0	-21651.5%
Total net interest	**30,733**	**31,538**	**-2.6%**

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

	30/06/2017		30/06/2016		%
	Dividends	Income from CIUs	Dividends	Income from CIUs	
A. Financial assets held for trading	17	-	24	-	-29.0%
B. Financial assets available for sale	-	-	-	-	-
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	757	X	1,336	X	-43.4%
Total	**774**	-	**1,360**	-	**-43.1%**

Net commission income

	30/06/2017	30/06/2016	%	Ass
Guarantees issued	445	409	8.7%	36
Collection and payment services	791	787	0.6%	5
Current accounts	2,901	2,619	10.8%	282
Commisions on credit facilities	3,115	2,513	24.0%	602
Credit and debit cards	1,056	910	16.0%	146
Commercial banking activities	**8,309**	**7,238**	**14.8%**	**1,070**
Trading and placement of securities (including mutual funds)	3,072	1,893	62.3%	1,179
MEF's guarantees	(194)	(654)	70.3%	460
Currency dealing	234	250	-6.5%	(16)
Portfolio management	1,150	1,153	-0.2%	(3)
Distribution of insurance products	515	713	-27.7%	(198)
Management, intermediation and advisory services	**4,778**	**3,355**	**42.4%**	**1,423**
Other net fee and commission income	1,139	987	15.4%	152
Net fee and commission income	**14,226**	**11,581**	**22.8%**	**2,645**

Net trading income (loss)

Risultato Attività di Negoziazione	**30/06/2017**	**30/06/2016**	**%**
Attività finanziarie di negoziazione	11	(171)	-106.3%
Passività finanziarie di negoziazione	-	-	-
Strumenti derivati finanziari	(19)	4	-559.4%
Risultato operatività di trading (tassi, titoli di capitale, valute)	**(8)**	**(167)**	**-95.0%**
Strumenti derivati creditizi	-	-	-
Atre attività/passività finanziarie:differenze di cambio	4	4	18.4%
Totale utili (perdite) su attività/passività finanziarie di negoziazione	**(4)**	**(164)**	**-97.4%**
Risultato da cessione di attività finanziarie disponibili per la vendita e riacquisto di passività finanziarie	**3,647**	6,009	-39.3%
Risultato dell'attività di negoziazione	**3,643**	**5,845**	**-37.7%**

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 €3,876 thousand.

Other operating income (expenses)

Other operating income	**30/06/2017**	**30/06/2016**	**%**
Out-of-period expenses and reductions in assets	(271)	(622)	56.4%
Total operating expenses	**(271)**	**(622)**	**56.4%**
Other income - rentals and fees	79	29	170.5%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	349	293	18.9%
Out-of-period income and reductions in liabilities	543	113	382.1%
Total operating income	**971**	**435**	**123.2%**
Total operating income and expenses	**700**	**(187)**	**474.3%**

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 €3,815 thousand for the period ended 30 June 2017.

Operating costs

Other operating costs	30/06/2017	30/06/2016	%
Wages and salaries	13,698	14,134	-3.1%
Social security contributions	3,655	3,649	0.2%
Other personnel expenses	3,109	3,032	2.6%
Total personnel expenses	**20,462**	**20,814**	**-1.7%**
Information technology expenses	151	164	-7.9%
Real estate management costs	1,983	2,186	-9.3%
General structure costs	2,135	2,433	-12.2%
Contributions to SRF	1,489	1,523	100.0%
Professional, insurance and legal expenses	2,469	2,148	14.9%
Advertising	484	513	-5.8%
Outsourcing costs and other services provided by third parties	4,835	4,075	18.6%
Indirect personnel costs	569	556	2.3%
Recovery of expenses and charges	(725)	(658)	10.2%
Indirect taxes and duties	3,463	3,421	1.2%
Recovery of indirect taxes and duties	(3,090)	(3,107)	-0.5%
Total other administrative expenses	**13,763**	**13,255**	**3.8%**
Net impairment/write-backs on property, plant and equipment	1,154	1,199	-3.7%
Net impairment/write-backs on intangible assets	24	29	-18.8%
Total net impairments	**1,178**	**1,228**	**-4.1%**
Total operating costs	**35,403**	**35,296**	**0.3%**

Operating income

Operating income stood at €14,673 thousand, down 1.1% compared to 30 June 2016.

Net impairment/write-backs on loans and other assets

Net impairment/write-backs on loans and other assets	30/06/2017	30/06/2016	%
Bad loans	(8,384)	(8,951)	-6.3%
Unlikeliy to pay	(1,634)	(5,232)	-68.8%
Past due loans	493	1,450	-66.0%
Performing loans	(212)	376	-156.4%
Net impairment losses on loans	**(9,737)**	**(12,357)**	**-21.2%**
Net adjustments on financial assets	**(2,684)**	**(704)**	**281.2%**
Net adjustments on other financial transactions	**-**	**17**	**-100.0%**
Total charges/write-backs	**(12,421)**	**(13,044)**	**-4.8%**

Net provisions for risks and charges

Net provisions for risks and charges	30/06/2017	30/06/2016	%
Customer disputes	4	(115)	103.0%
Revocatory actions	(189)	(60)	-214.5%
Other provisions	-	-	-
Total	**(185)**	**(175)**	**-5.8%**

Income (Loss) before tax from continuing operations

Income before tax from continuing operations stood at €2,067 thousand for the first half of 2017.

Tax on income from continuing operations

The provision for current and deferred taxes accrued in the first six months of 2017 came to €1,464 thousand.

Net income (loss)

The net income for the period amounted to €603 thousand.

Balance sheet aggregates

Reconciliation between the balance sheet and reclassified balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2017	31/12/2016
Cash and cash equivalents	10 - Cash and cash equivalents	17,420	15,844
Financial assets held for trading	20 - Financial assets held for trading	5,284	3,192
Financial assets available for sale	40 - Financial assets available for sale	1,307,753	1,335,563
Financial assets held to maturity	50 - Invetments held to maturity	22,024	32,529
Due from banks	60 - Due from banks	32,732	52,226
Loans to customers	70 - Loans to customers	2,635,956	2,622,176
Equity investments	100 - Investments in associates and companies subject to joint	3,879	3,819
Property and equipment and intangible assets	110 - Property and equipment	81,014	81,271
	120 - Intangible assets	3,944	3,968
Other assets	130 - Tax assets	77,280	78,775
	150 - Other assets	53,249	42,043
Total assets		**4,240,535**	**4,271,406**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2017	31/12/2016
Due to banks	10 - Due to banks	738,722	518,976
Direct funding from customers	20 - Due to customers	2,852,824	3,039,777
	30 - Debt securities issued	206,381	324,206
Financial liabilities held for trading	40 - Financial liabilities held for trading	916	794
Other liabilities	80 - Tax liabilities	6,466	6,848
	100 - Other liabilities	123,502	67,942
Specific provisions	110 - Employee termination benefits	5,411	5,685
	120 - Provisions for risk and charges:	2,927	3,678
Shareholders' equity	130 - Valuation reserves	16,629	17,347
	160 - Reserves	68,219	66,986
	170 - Share premiums	167,022	167,022
	180 - Share capital	50,913	50,913
	200 - Net income (loss) for the period (+/-)	603	1,233
Totale Passivo		**4,240,535**	**4,271,406**

General aspects

A condensed balance sheet has also been prepared in the interest of permitting a more immediate assessment of the Bank's financial position. Compared to the template presented in Bank of Italy Circular 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 balance sheet

ASSETS	30/06/2017	31/12/2016
Cash and cash equivalents	17,420	15,844
Financial assets held for trading	5,284	3,192
Financial assets available for sale	1,307,753	1,335,563
Financial assets held to maturity	22,024	32,529
Due from banks	32,732	52,226
Loans to customers	2,635,956	2,622,176
Investments in associates and companies subject to joint	3,879	3,819
Property, plant and equipment and intangible assets (1)	84,958	85,239
Other assets (2)	130,529	120,818
Total assets	**4,240,535**	**4,271,406**

(1) *The aggregates include captions "110. Property, plant and equipment" and "120. Intangible assets";*
(2) *The aggregates include captions "130. Tax assets" and "150. Other assets".*

LIABILITIES	30/06/2017	31/12/2016
Due to banks	1,339,147	1,328,119
Direct funding from customers [1]	2,458,780	2,554,841
Financial liabilities held for trading	916	794
Other liabilities	129,968	74,790
Specific provisions [2]	8,338	9,363
Shareholders' equity [3]	303,386	303,500
Total liabilities	**4,240,535**	**4,271,406**

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

Loans to customers

Loans to customers: composition

	30/06/17						31/12/16						%
	Book value			Fair value			Book value			Fair value			
	Performing	Non - performing		L1	L2	L3	Performing	Non - performing		L1	L2	L3	
		Purchased	Other					Purchased	Other				
Loans													
1. Current accounts	279,790	-	77,423	X	X	X	269,191	-	86,178	X	X	X	0.5%
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X	-
3. Mortgage loans	1,420,921	-	227,102	X	X	X	1,391,192	-	244,788	X	X	X	0.7%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	60,242	-	1,877	X	X	X	60,392	-	1,670	X	X	X	0.1%
5. Finance leases	192,978	-	42,602	X	X	X	205,438	-	46,785	X	X	X	-6.6%
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X	-
7. Other	317,495	-	15,526	X	X	X	301,916	-	14,627	X	X	X	5.2%
Debt securities	-	-	-	X	X	X	-	-	-	X	X	X	-
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X	-
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X	-
Total	**2,271,426**	**-**	**364,530**			**2,670,346**	**2,228,129**	**-**	**394,047**			**2,400,471**	**0.53%**

Loans to customers: credit quality

Loans to customers	30/6/2017		31/12/2016		Change %
	Value	indic.%	Value	indic.%	
Bad loans	177,826	6.7%	200,380	7.6%	-11.3%
Unlikely to pay	173,460	6.6%	178,026	6.8%	-2.6%
Past due loans	13,244	0.5%	15,642	0.6%	-15.3%
Total impaired assets	**364,530**	**13.8%**	**394,047**	**15.0%**	**-7.5%**
Performing loans	2,271,426	86.2%	2,228,129	85.0%	1.9%
Loans represented by securities	-	0.0%	-	0.0%	0.0%
Loans to customers	**2,635,956**	**100.0%**	**2,622,176**	**100.0%**	**0.5%**

Customer financial assets

	30/06/2017	31/12/2016	Change	Change %
Direct funding	**2,458,780**	**2,554,841**	**(96,060)**	**-3.8%**
Due to customers	2,252,399	2,230,634	21,765	1.0%
Debt securities issued	206,381	324,206	(117,826)	-36.3%
Indirect funding:	**995,031**	**973,682**	**21,349**	**2.2%**
Assets under administration	205,992	221,780	(15,788)	-7.1%
Assets under management	789,039	751,902	37,137	4.9%
Total funding	**3,453,811**	**3,528,523**	**(74,712)**	**-2.1%**

Direct funding from customers

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

	30/06/2017	% breakdown	31/12/2016	% breakdown	% change
Current accounts and deposits	1,924,655	78.3%	1,872,739	73.3%	2.8%
Repurchase agreements and securities lending	-	0.0%	-	0.0%	-
Bonds	146,610	6.0%	259,600	10.2%	-43.5%
Certificates of deposit	26,122	1.1%	28,314	1.1%	-7.7%
Subordinated liabilities	33,649	1.4%	36,292	1.4%	-7.3%
Other deposits	327,744	13.3%	357,896	14.0%	-8.4%
Total direct funding	**2,458,780**	**100.0%**	**2,554,841**	**100.0%**	**-3.8%**

Indirect funding

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

	30/06/2017		31/12/2016		% change
	Amounts	% breakdown	Amounts	% breakdown	
Mutual Funds	456,235	45.9%	414,207	42.5%	10.1%
Portfolio management	211,319	21.2%	212,351	21.8%	-0.5%
Life technical reserves and financial liabilities	121,485	12.2%	125,344	12.9%	-3.1%
Assets under management	**789,039**	**79.3%**	**751,902**	**77.2%**	**4.9%**
Assets under administration	**205,992**	**20.7%**	**221,780**	**22.8%**	**-7.1%**
Indirect funding	**995,031**	**100.0%**	**973,682**	**100.0%**	**2.2%**

Financial assets/liabilities held for trading

	30/6/2017		31/12/2016		% change
	Amounts	% breakdown	Amounts	% breakdown	
Trading derivatives - Assets	846	19.4%	710	29.6%	19.3%
Property titles	4,437	101.6%	2,482	103.5%	78.8%
Financial assets held for trading	**5,284**	**121.0%**	**3,192**	**133.1%**	**65.5%**
Trading derivatives - Liabilities	916	**21.0%**	794	**33.1%**	**15.4%**
Financial liabilities held for trading	**916**	**21.0%**	**794**	**33.1%**	**15.4%**
Net financial assets and liabilities	**4,367**		**2,398**		**82.1%**

Financial assets available for sale

Financial assets available for sale totalled €1,307,753 thousand, down by 2.1% compared to 2016. 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 indicator 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 twelve 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 €2,676 thousand.

	30/6/2017		31/12/2016		% change
Goverments bonds	1,150,636	88.0%	1,200,396	89.9%	**-4.15%**
Bonds and other debt securities	103,325	7.9%	79,248	5.9%	**30.38%**
Equities and quotas of mutual funds	53,791	4.1%	55,918	4.2%	**-3.80%**
Financial assets available for sale	**1,307,753**	**100.0%**	**1,335,563**	**100.0%**	**-2.1%**

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 Banca Popolare di Cividale as at 30 June 2017. As indicated in the ESMA document, “sovereign debt” is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

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

Exposure to sovereign debt - book value	**Italy**	**UK**
Financial assets available for trading	3,843	
Financial assets available for sale	1,149,951	685
Financial assets held to maturity	22,024	
Total	**1,175,818**	**685**

Net interbank position

Interbank position	30/06/2017	31/12/2016	Assolute	Var %
Cash and cash equivalents	17,420	15,844	1,576	9.9%
Loans to banks	32,732	52,226	(19,494)	-37.3%
Due to banks	(1,339,147)	(1,328,119)	(11,028)	0.8%
NET INTERBANK POSITION	**(1,288,995)**	**(1,260,049)**	**(28,946)**	**2.3%**

Changes in provisions for risks and charges

	Revocatory actions	Customer disputes	Other provisions	Total
A. Opening balance	**413**	**474**	**2,790**	**3,678**
B. Increases	**126**	**97**	**65**	**287**
B.1 Provision for the year	126	97	65	287
B.2 Changes due to time	-	-	-	-
B.2 Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases	**246**	**188**	**604**	**1,038**
C.1 Use during the year	246	88	602	936
C.2 Changes due to changes in the discount rate	-	-	-	-
C3. Other changes	-	100	2	102
D. Closing balance	**293**	**383**	**2,251**	**2,927**

The risks of incurring contingent liabilities in the course of:

- ✓ the investigation by the Public Prosecutor’s Office of Udine;
- ✓ the audits by the Friuli Venezia Giulia Regional Department of 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 2017.

Bank's shareholders' equity

The Bank's shareholders' equity stood at €303,386 thousand at 30 June 2017.

Earnings per share

Basic Earning per share	30/06/2017	31/12/2016
Adjusted attributable profit	603	1,233
Weighted average number of shares	16,971,085	16,971,085
Basic Earning per share	**0.04**	**0.07**

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 2017, valuation reserves of €16,629 thousand presented a net decrease of €718 thousand compared to the end of the previous year, primarily attributable to the change in the reserve for available-for-sale financial assets due to the sale of government bonds.

Disclosure concerning fair value

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

In the first half of 2017, the Bank did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39.

QUALITATIVE DISCLOSURES

This section includes the disclosure regarding financial instruments subject to reclassification from one portfolio to another pursuant to the rules set forth in IAS 39 and the disclosure regarding the fair-value hierarchy in accordance with the provisions of IFRS 13.

Fair value is the price at which an asset may be sold or a liability transferred in a transaction between market participants at the measurement date.

Consequently, it is an exit price and not an entry price.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments measured at fair value on a recurring basis, the bank attributes higher priority to the use of observable inputs and lower priority to measurement techniques that do not use market inputs. In particular, the bank establishes the order of priority, criteria and conditions that result in the choice of one of the following measurement techniques:

- mark-to-market: a measurement method coinciding with classification to level 1 of the fair value hierarchy;
- comparable approach: a measurement method based on the use of observable market inputs, the use of which entails classification to level 2 of the fair value hierarchy;
- mark-to-model: a measurement method involving the application of pricing models whose inputs result in classification to level 3 (use of at least one significant non-observable input) of the fair value hierarchy.

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

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

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

The measurement techniques applied in this case include:

- the use of recent market transactions between knowledgeable, independent parties;
- reference to the fair value of a financial instrument having the same characteristics;
- cash flow discounting techniques;
- option valuation techniques;
- the use of commonly used pricing techniques, provided that such techniques yield prices in line with those applied in actual exchanges.

The market inputs used in the comparable approach are:

- prices quoted on active markets for similar assets or liabilities;
- prices quoted for the instrument in question or similar instruments on inactive markets, i.e., markets on which there are few transactions. The prices are not current or vary substantially over time and amongst the various market markets, or little information is made public;
- observable market inputs (e.g., interest rates, observable yield curves, credit spreads, quoted volatilities, etc.);
- inputs that derive from observable market data, for which the relationship is supported by parameters such as correlation. If the measurement techniques adopted also use non-observable inputs, and their contribution to the determination of fair value is to be regarded as significant, the measurement of the financial asset or liability is to be considered level 3.

The mark-to-model approach applies to all financial instruments for which there is no active market, where:

- significant adjustments to the observable inputs used based on non-observable inputs are necessary;
- the estimate of fair value is based on the bank's internal assumptions concerning future cash flows and the discount curve used;
- the measurement techniques used are of sufficient complexity to entail significant model risk.
- The main inputs used in this approach are:
- for real estate funds, a NAV adjustment model aimed at taking account of the issuer's default risk;

- for structured bonds, the discounted cash flow model, applied on the basis of estimates of future cash flows and/or the discount factor;
- for equity instruments, the market approach (a model based on market multiples and price matrices), the Black-Scholes-Merton model and the binomial model.

Valuation processes and sensitivity

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

QUANTITATIVE DISCLOSURES

Fair value hierarchy

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

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

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

	30/6/12017			31/12/2016		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	4,378	59	-	2,435	47	-
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	1,254,588	2,412	50,753	1,279,227	2,405	53,931
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	2,770	-	-	2,770
6. Intangible assets	-	-	-	-	-	-
Total	**1,258,966**	**2,471**	**53,523**	**1,281,662**	**2,452**	**56,701**
1. Financial liabilities held for trading	-	916	-	-	794	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	**916**	-	-	**794**	-

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

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

	Held for trading	Designated at fair value through profit or loss	Available for sale	For hedging purposes	Property and equipment	Intangible assets
1. Opening balance	-	-	**53,931**	-	**2,770**	-
2. Increasese	-	-	**957**	-	-	-
2.1. Purchases	-	-	952	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-
2.2.1.Income statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	5	-	-	-
3. Decreases	-	-	**4,135**	-	-	-
3.1. Sales	-	-	1,346	-	-	-
3.2. Redemptions	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-
- of which capital losses	-	-	2,676	-	-	-
3.3.2. Shareholders' equity	X	X	4	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	109	-	-	-
4. Closing balance	-	-	**50,753**	-	**2,770**	-

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

Financial assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2017				31/12/2016			
	BV	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held to maturity	22,024	22,024	-	-	32,529	32,529	-	-
2. Due from banks	32,732	-	-	32,732	52,226	-	-	52,226
3. Loans to customers	2,635,956	-	-	2,666,947	2,622,176	-	-	2,400,471
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets or groups of assets being divested	-	-	-	-	-	-	-	-
Total	**2,690,712**	**22,024**	-	**2,699,679**	**2,706,931**	**32,529**	-	**2,452,697**
1. Due to banks	738,722	-	-	738,722	518,976	-	-	518,976
2. Due to customers	2,852,824	-	-	2,852,824	3,039,777	-	-	3,039,386
3. Securities issued	206,381	-	206,381	-	324,206	-	324,206	-
4. Liabilities associated to assets being divested	-	-	-	-	-	-	-	-
Total	**3,797,928**	-	**206,381**	**3,591,547**	**3,882,960**	-	**324,206**	**3,558,362**

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

Risk management and monitoring

Risk management

Banca Popolare di Cividale takes a particularly conservative approach to risk management, implemented within a specific organisational framework consisting of internal rules, operating procedures and control units, structured according to a model that integrates monitoring methods at various levels, all converging with the goals of ensuring the efficiency and effectiveness of operating processes, preserving the company's assets, protecting it from losses, ensuring the reliability and integrity of information and verifying the proper conduct of operations in accordance with internal and external regulations.
In accordance with supervisory regulations, the Bank has developed and standardised specific risk management processes broken down into various logical phases: determination of the risk appetite, assumption of risk, drafting of risk management and control policies, definition of limits, measurement of risk, monitoring and reporting, stress tests and critical situation management.
Risks are primarily identified and their significance assessed within the framework of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), which in accordance with prudential regulations relate to what are known as "first and second pillar obligations". The significance of the risks to be assessed is determined by considering both supervisory regulations and specific company considerations such as the products and services offered to customers, the scope and characteristics of business with associated parties in respect of company operations, the volumes of financial aggregates and the corresponding capital requirements, the markets of reference and vulnerability to the economic situation.
The risk appetite, an important parameter to be referred to in drawing up the strategic plan and a logical foundation for planning, is determined for the Bank's significant risks when defining the Risk Appetite Framework (RAF), in a manner that takes account of existing prudential rules, the business model adopted, the Bank's core funding and lending methods and the ability of control units to monitor and measure risks.
With regard to the Risk Appetite Framework (RAF), an outline has been prepared and introduced, including a definition of the risk appetite, tolerance thresholds, exposure limits, risk governance policies and the processes of reference for setting 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 Function, which supports the general management during the phases of application review and preparation of proposals to be submitted for the approval of the Board of Directors. The process requires a high level of consistency and thorough reconciliation of the RAF, business model, strategic plan, ICAAP, ILAAP, budgets, company organisation and internal control system. The Board of Directors reviews the system of risk targets at least annually and then updates it, when the requirements for so doing have been met.
A clear identification of the risks to which Banca Popolare di Cividale is potentially exposed (the "risk map") represents the essential foundation for an informed assumption and effective management of such risks.

Given the Bank's mission and operations, and considering the market context in which it operates, the risk map that has been identified essentially reflects the list of risks that is subject to assessment as part of ICAAP (Annex A to Chapter 1, Title II, Part One, of Circular 285, Supervisory Provisions for Banks, concerning the prudential control process), excluding several specific types deemed irrelevant (country risk, transfer risk and securitisation risk), with the addition of compliance risk, money-laundering risk and real-estate risk.
Appropriate risk policies have been adopted by the Bank. 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.
Detailed information concerning the general characteristics of the system of controls and policies for managing, measuring and controlling risks is provided in the notes to the 2016 financial statements (Chapter E – Risks and hedging policies) and in the Pillar 3 disclosure as at 31 December 2016 published on the Bank's website, to which the reader is referred.

Main risks and uncertainties to which the Bank is exposed
At 30 June 2017, the exposure to the various risks was consistent with the risk appetite framework (RAF) targets defined by the Board of Directors and with risk assumption and management policies.

Credit risk
In accordance with its mission and business model, the Bank is primarily exposed to credit risk, which remains at historically high levels, although there are concrete signs of improvement at the level of performance in the first half of 2017, as also seen in 2016.

Concentration risk
Exposure to concentration risk, at the level of both individual counterparties and groups of customers related by business segment or geographical area, is consistent with the Bank's current targets.

Market risk (including sovereign risk)
The portfolios classified as held for trading and the associated market risk profile are modest in extent. The current composition of assets entails an exposure to sovereign risk related to the size of the portfolio invested in Italian government securities and, to a lesser extent, in securities issued by banks, nearly all of which are classified as AFS. The exposure to the Italian Republic varied over the half year as a function of the size of the portfolio, increasing in the first quarter of 2017 and declining in the second quarter of 2017 compared to the end of 2016. Italian government securities remain exposed to the elements of volatility typical of the market. With respect to the interest rate risk and price risk associated with the securities in portfolio, the greatest risk is represented by a possible increase in short-term rates, which would entail a decline in net interest income. By contrast, a rise in medium-to-long term interest rates would result in a depreciation of the values of the portfolios and a decline in the unrealised component. This risk is mitigated by the relatively short duration of the Bank's proprietary portfolio.

Operational risks (including IT risk)
Operational risk is inherent in banking business and is associated with all organisational and production processes. Consequently, all processes carried out by the Bank generate such risk. In the first half of 2017, exposure to operational risks remained essentially constant, in terms of both the number and type of events and the amount of the operating losses sustained. Exposure to IT risk is consistent with the Bank's strategic orientation.

Interest-rate risk
Considering the interest rate levels witnessed during the first six months of 2017 and the continuation of the European Central Bank's monetary policy, the Bank's exposure to instantaneous rate shocks remained modest, as in the previous year. At 30 June 2017, internal capital, calculated according to the regulatory method, increased in both ordinary conditions and stress scenarios. This means that internal capital for the interest-rate risk inherent in the banking book was nil; compliance was maintained for both the alert level established by supervisory regulations and the prudential limits set in internal regulations.

Liquidity risk
In 2017 the main objective of the Bank's funding policies remains the pursuit of a structural balance between loans to customers and the various forms of funding (known as the “funding gap”) through the diversification of funding sources by maturity, form, counterparty and market. The Bank's liquidity remains at adequate levels: as at 30 June 2017, the Basel 3 regulatory ratios (LCR and NSFR), adopted as internal metrics for measuring liquidity risk, exceeded the supervisory requirements set for 2018.

Residual risk
Residual risk is primarily generated by the lending process and represents the component of the inefficacy of credit risk measurement. Exposure to such risk in terms of "unexpected loss" stands at low levels.

Reputational risk
In the first half of 2017 there were not found to be any elements that modified – or that might significantly modify in the near term – the positive perception of the Bank by the various groups of its stakeholders (customers, counterparties, shareholders, investors and supervisory authorities). The overall assessment of this type of risk is tied to the specific activity carried out by the banking industry at large and the many potential processes capable of generating reputational risks, in the current general scenario of a degree of continuing distrust by customers, relating to the crisis affecting several Italian banks and other elements of uncertainty in the industry and regulations.

Strategic risk
The level of exposure to strategic risk is medium-high. This view is based on assessments relating in particular to elements "external" to the Bank: the macroeconomic scenario and highly dynamic nature of the financial markets, combined with a constantly changing prudential regulatory framework, require the constant monitoring of factors that allow sustainable profitability to be pursued.

Associated party risk
Exposure to associated parties decreased during the year and is fully consistent with the limits established by prudential regulations and company policies.

Securitisation risk
In reference to the risk associated with securitisation, the Bank has not undertaken any transfer of credit risk. Consequently, it is not exposed to the risk that "the economic substance of a transaction is not fully reflected in risk assessment and management decisions."

Property risk
The current or prospective risk of potential losses due to fluctuations in the value of the Bank’s proprietary real-estate portfolio, or to the reduction of the income generated by that portfolio, remains at modest levels.

Excessive leverage risk
At 30 June 2017 the leverage indicator (Basel 3 phased in 6.4%; Basel 3 fully loaded 6.6%) fell within the range of values deemed normal at the company level and far exceeded the minimum level according to supervisory regulations (3%).

Compliance risk
Exposure to compliance risk, in light of the increasing complexity of the regulatory framework and resulting obligations, is modest overall and consistent with the orientations expressed by company bodies. The risk management process is deemed adequate to the Bank's operational complexity and structure.

Money-laundering risk
Given the objective significance of money-laundering risk and the increasing complexity of the legislative framework of reference and resulting obligations, the Bank has gradually enhanced its safeguards in terms of rules, organisational measures, procedures, applications and training. The risk management process is deemed adequate to the Bank's operational complexity and structure.

Internal control system

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

The internal control system is organised into three levels:

- ✓ line controls (level one): these are aimed at ensuring that transactions are executed properly; they are performed by production units themselves (for example, hierarchical type controls) and are incorporated into IT procedures and systems or are conducted in the context of back-office activity;
- ✓ level-two controls: these include risk management and compliance activity. They are aimed at ensuring, among other objectives:
  - the proper implementation of the risk management process;
  - the observance of the operating limits assigned to the various functions;
  - the compliance of company operations with laws and regulations, including self-imposed regulations. Level-two control functions are independent of assumption and management functions (production and management units). They contribute to defining risk governance policies and the risk management process;
- ✓ level-three controls: this is internal auditing activity aimed at identifying anomalous performances and breaches of rules and procedures, as well as at assessing the functionality of the overall internal control system; it is conducted on an ongoing basis, with periodic frequency, or in exceptional cases, by units independent of production units, including through onsite inspections. This activity is performed by the Auditing function.

The entire internal control system is periodically revised by the Board of Directors of Banca Popolare di Cividale in order to constantly improve strategies and operating processes and assess business risks.

The new supervisory regulations concerning internal controls have considerably reinforced the powers of the risk control function by establishing that "safeguards relating to the internal control system must cover all types of company risk." The above rules have been reflected in Banca Popolare di Cividale's organisational structure, which envisages the second-level control functions of the Risk Management Service and Compliance Service, functions that are separate from and independent of business units, in that they report to the strategic supervision body (the Board of Directors). This is also assured for the Auditing Department, a level-three control function that is independent of the other company units.

An important component of the Internal Control System is the Risk Committee. The Risk Committee was added to the new Articles of Association approved by the Shareholders' Meeting in accordance with supervisory regulations. Formed within the Board of Directors, the Risk Committee is composed of a majority of independent directors and aims to support the Board of Directors with risk governance and supervision of the internal control system, while interacting with control functions, whose work it analyses and actions it assesses. For a description of the overall structure of the internal control System, please refer to the Corporate Governance Report annexed to the 2016 financial statements and also available on the Company's website at the address www.civibank.it.

Legal risks

Money-laundering (Legislative Decree No. 231/2007)

Responsibility for overseeing compliance with anti-money laundering legislation, in accordance with Bank of Italy rules governing the anti-money laundering organisation, procedures and internal controls, falls to the Anti-Money Laundering Office within the Compliance Service, the head of which has been placed in charge of the function in accordance with those rules.

The Anti-Money Laundering Function has the mission of preventing and combating transactions involving the laundering of money and financing for terrorism. To this end, it ensures that IT and organisational procedures are consistent with the objective of preventing and combating the breach of applicable laws and internal rules governing money-laundering. It also performs specific monitoring activity aimed at identifying any potentially suspect transactions.

The Anti-Money Laundering office sends Italy's Ministry of the Economy and Finance notices of breaches of rules governing the use of cash and bearer securities. It also responds to requests from the authorities concerning the reporting of suspect transactions to the Financial Information Office.

The head of the function, as the party delegated to report suspect transactions, conducts analysis, carries out preliminary investigation and sends reports of suspect transactions pursuant to Art. 41 of Legislative Decree No. 231/07.

Information concerning disputes
For detailed information about tax and other disputes and major ongoing litigation, the reader is referred to Chapter E of the notes to the 2016 financial statements, with respect to which there were no significant changes during the half-year.

Administrative liability (Legislative Decree No. 231/2001)
In consideration of the provisions of Legislative Decree No. 231/01, the Bank adopted a specific Organisational Model, which was updated in 2015 to comply with the changes to the law.
That Model pursues the primary goal of setting up a well-organised, organic system of organisational and control principles and procedures suited to preventing or reducing the risk of the commission of the offences set forth in the Decree. The Founding and Operational Rules govern the Supervisory Board’s activity. The Supervisory Board is entrusted with the task of supervising:

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

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

Outlook for the current year
The Italian economy has started towards a more solid recovery. Growth estimates have been revised upwards, according to the latest projections (Bank of Italy), Italy's GDP should increase 1.4% this year, 1.3% in 2018 and 1.2% in 2019. The economic indicators confirm the acceleration of economic activities and the most recent qualitative surveys are more optimistic about the general economic situation and a restart of investments. The outlook for exports and employment also remains positive. These conditions have positive reflections on credit dynamics. The ECB has confirmed the monetary accommodation policy and believes that current interest rates are expected to remain for a prolonged period of time, well pass the horizon of net asset purchases, which will run at least until the end of this year. Looking ahead, the profitability of Italian banks remains exposed to risks, first of all a more vigorous and lasting consolidation of the recovery, able to support revenue growth and diversification, but also to promote the management of non-performing loans, reducing their impact on total loans. The increase of the profitability also requires further, decisive progress in cost reduction, and in the revision of the business models, to face the challenges inherent in the pervasive changes taking place, at the level of technologies, regulation, market structure and customer needs. In line with these premises, the activity of the bank in the remaining part of the year will be guided by the achievement of the objectives of the 2016-2018 Strategic Plan.

Related-party transactions

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

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

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

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

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

In 2017 Banca Popolare di Cividale, in accordance with the combined provisions of the regulations cited above, adopted its Procedures for Transactions with Related Parties and Associated Parties (the "BPC RPT Procedures").

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

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 2017 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.

Transactions of an ordinary or recurring nature

The transactions of an ordinary or recurring nature undertaken with related parties at 30 June 2017 are part of the Bank's ordinary operations, are generally at arm's length conditions and meet the requirement of a mutual economic interest in accordance with the internal procedures cited above.

Detailed information regarding related-party transactions, including information on the impact of outstanding transactions and positions with such counterparties on the Group's financial performance and financial position, is set out in the tables below.

Information on transactions with related parties

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

- ✓ subsidiaries: companies over which Banca Popolare di Cividale S.c.p.A. directly or indirectly exercises control, as defined in IAS 27;
- ✓ associated companies: companies over which Banca Popolare di Cividale S.c.p.A directly or indirectly exercises a significant influence, as defined in IAS 28;
- ✓ joint ventures: companies over which Banca Popolare di Cividale S.c.p.A. directly or indirectly exercises joint control, as defined in IAS 31;
- ✓ managers with strategic responsibilities and control bodies: the Directors, Statutory Auditors and General Manager of Banca Popolare di Cividale S.c.p.A.;
- ✓ other related parties, including:
- ✓ immediate family members (cohabitants, children, cohabitants' children, dependants of the person concerned or cohabitant) of Directors, Statutory Auditors or the General Manager of Banca Popolare di Cividale S.c.p.A.; and
- ✓ subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, General Managers and Assistant General Managers of Banca Popolare di Cividale S.c.p.A., in addition to their immediate family members, as defined above.

The effects of transactions with related parties as defined above on the balance sheet are presented in the following summary tables.

	ASSOCIATED COMPANIES	COMPANIES SUBJECT TO JOING CONTROL	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES	% of
Assets					
Loans to customers	***3,646***	***927***	***208***	***1,002***	***0.22%***
Board of Directors			31	460	0.02%
Board of Statutory Auditors			81	338	0.02%
Managers with strategic responsibilities			96	204	0.01%
Liabilities			-	-	0.00%
Due to customers	***73***	***3,147***	***1,201***	***1,932***	***0.22%***
Board of Directors			595	1,271	0.07%
Board of Statutory Auditors			57	201	0.01%
Managers with strategic responsibilities			549	460	0.04%
Income statement			-	-	0.00%
Net interest income	***38***	***2***	***(2)***	***4***	***0.14%***
Board of Directors			-	-	*0.00%*
Board of Statutory Auditors			-	4	*0.01%*
Managers with strategic responsibilities			(2)	-	*-0.01%*
Net commission income	***14***	***3***	***7***	***10***	***0.24%***
Board of Directors			6	5	*0.08%*
Board of Statutory Auditors			-	3	*0.02%*
Managers with strategic responsibilities			1	2	*0.02%*
Administrative expenses	***-***	***-***	***760***	***-***	***3.71%***
Board of Directors (*)			239	-	*1.17%*
Board of Statutory Auditors			61	-	*0.30%*
Managers with strategic responsibilities			460	-	*2.25%*
Guarantees and commitments	**-**	**-**	**-**	**-**	***0.00%***
Board of Directors			-	-	*0.00%*
Board of Statutory Auditors			-	-	*0.00%*
Managers with strategic responsibilities			-	-	*0.00%*
Indirect funding	**-**	**-**	***1,520***	***1,349***	***0.29%***
Board of Directors			1,116	433	*0.16%*
Board of Statutory Auditors			20	50	*0.01%*
Managers with strategic responsibilities			384	866	*0.13%*

1. Information concerning the compensation of key management personnel

The following table reports the compensation of the directors, executives and other key management personnel of the Bank.

	Amount
a) Short-term benefits *	1,385
b) Post-employement benefits	-
c) Other long-term benefits	-
d) Termination benefits	-
c) Share-based payments	-
Total	**1,385**

** The amount indicated includes the remuneration paid to directors of €239 thousand, to the Board of Statutory Auditors of €48 thousand and to the Supervisory Board of €13 thousand.*

Segment reporting

Criteria for identifying and aggregating operating segments

In application of IFRS 8, operating segments for the purposes of segment reporting were identified on the basis of the following business segments:

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

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

Segment results – Income-statement data

RECLASSIFIED INCOME STATEMENT	30/06/2017			30/06/2016		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Net interest income	2,772	27,961	30,733	2,400	29,138	31,538
Net commissions	(41)	14,267	14,226	36	11,545	11,581
Dividends and net income (loss) of equity investments accounted for using equity method	-	774	774	-	1,360	1,360
Net trading income	-	3,643	3,643	-	5,845	5,845
Other operating income (expenses) (4)	-	700	700	-	(187)	(187)
Operating income	**2,731**	**47,345**	**50,076**	**2,436**	**47,701**	**50,137**
Personnel expenses	(306)	(20,157)	(20,462)	(269)	(20,545)	(20,814)
Other administrative expenses (2)	(809)	(12,954)	(13,763)	(789)	(12,466)	(13,255)
Net impairment/write backs on property, plant and equipment and intangible assets (3)	(147)	(1,031)	(1,178)	(157)	(1,071)	(1,228)
Operating cost	**(1,261)**	**(34,142)**	**(35,403)**	**(1,214)**	**(34,082)**	**(35,296)**
Income (loss) from operating	**1,470**	**13,204**	**14,673**	**1,222**	**13,619**	**14,841**
Charges/write-backs on impairment of loans and financial asset	(674)	(11,748)	(12,421)	(1,058)	(11,986)	(13,044)
Charges/write-backs on impairment of goodwill and equity investments	-	-	-	-	(518)	(518)
Net provisions for risks and charges	-	(185)	(185)	-	(175)	(175)
Profit (loss) on equity investments	-	-	-	-	-	-
Income (loss) before tax from continuing operations	**796**	**1,271**	**2,067**	**164**	**940**	**1,104**
Tax on income from continuing operations	(245)	(1,219)	(1,464)	(250)	(741)	(991)
Net income for the period	**551**	**52**	**603**	**(86)**	**199**	**113**

Segment results – Balance-sheet data

ASSETS	30/06/2017			31/12/2016		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets held for trading	-	5,284	5,284	-	3,192	3,192
Financial assets available for sale	-	1,307,753	1,307,753	-	1,335,563	1,335,563
Financial assets held to maturity	-	22,024	22,024	-	32,529	32,529
Due from banks	-	32,732	32,732	-	52,226	52,226
Loans to customers	247,315	2,388,641	2,635,956	258,187	2,363,989	2,622,176

LIABILITIES	30/06/2017			31/12/2016		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Due to banks	-	1,339,147	1,339,147	-	1,328,119	1,328,119
Due to customers	3,309	2,249,090	2,252,399	1,172	2,229,462	2,230,634
Debt securities issued	-	206,381	206,381	-	324,206	324,206

Cividale del Friuli, 28 July 2017
The Board of Directors

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

Certification of the 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 Chairman of the Board of Directors, and Gabriele Rosin, in the capacity of manager responsible for the preparation of financial reports, of Banca Popolare di Cividale S.c.p.A., do hereby certify, pursuant to Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures used to prepare the interim financial statements during the period 1 January – 30 June 2017:
   - ✓ were adequate with respect to the characteristics of the enterprise; and
   - ✓ were effectively applied.
2. Our review of the adequacy and effective application of the administrative and accounting procedures used to prepare the interim financial statements at and for the period ended 30 June 2017 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 interim 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 of the Council of 19 July 2002;

   b) correspond to the results of accounting books and records; and

   c) are suited to furnishing a true and fair representation of the financial performance and financial position of the issuer.

   3.2. The report on operations includes a reliable analysis of operating performance and results of the issuer, in addition to a description of the main risks and uncertainties to which it is exposed. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Cividale del Friuli, 28 July 2017

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

Manager responsible for financial reports
Gabriele Rosin
[signed]

Independent Auditors' Report

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Building a better working world

Review report on the interim condensed 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 financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows and the related explanatory notes of Banca Popolare di Cividale S.c.p.A. as of June 30, 2017. The Directors of Banca Popolare di Cividale S.c.p.A. are responsible for the preparation of the interim condensed 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 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 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 financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of Banca Popolare di Cividale S.c.p.A. as of June 30, 2017 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, October 18, 2017

EY S.p.A.
Signed by: Marco Bozzola, Partner

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