Annual Report 2012

FRIULADRIA
CRÉDIT AGRICOLE

Annual Report 2012

2012 Report and Financial Statements of Banca Popolare FriulAdria S.p.A.

Summary

Letter from the Chairperson

In presenting this Annual Report and Financial Statements, my first thought goes to my predecessor, Mr. Angelo Sette, who passed away before his time in July 2012. Angelo, whom I had the honour of being a friend of and of working with for many years, was one of those charismatic persons whose death leaves a void that cannot easily be filled. For this reason, I am very happy and proud of having been appointed to continue the story of success and values that Mr. Sette expressed as Chairperson, and I am fully conscious it is also a huge responsibility.

Moving on to our Bank, also in 2012, in line with the Cariparma Crédit Agricole Group strategy, FriulAdria pursued sustainable development based on proximity bank-specific operations. The Bank focused on asset management services for households, on lending to business and on initiatives implemented in partnership with institutions and trade and voluntary associations.

In geographical terms, the Bank's areas of operations significantly developed, also with regard to the Veneto Region, where the Bank now ranks among the top players in the market, with 93 branches, vs. 111 in the Friuli Venezia Giulia Region, where we hold, and intend to continue holding, a leading position, as well as a reference role for companies.

Support to the real economy and focus on the customers' requirements continued along with the implementation of important initiatives providing also cultural and social support to the areas of operations. Specifically, the partnership with Fondazione Nord Est (a leading institute for study and research on local social and economic features) continued to prove effective in order to analyze in depth different sector-specific issues, starting from the agri-industrial sector. This project is consistent with the strategic positioning acquired by the Bank and by our Group in the agri-industrial sector, which is one of «Made in Italy» excellences.

To sum up, in a recession phase, FriulAdria, with its initiatives supporting the real economy, proved the effectiveness of the federal model, which allows it to provide its areas of operations with state-of-the-art services of the Group that is characterized by a shared mutualistic vision.

The Chairperson

ANTONIO SCARDACCIO

Corporate Bodies and Independent Auditors

Board of Directors

CHAIRPERSON

Antonio Scardaccio*

DEPUTY CHAIRPERSON

Ariberto Fassati*

DIRECTORS

Jean-Yves Barnavon

Hugues Brasseur*

Giuseppe Campeis

Guy Chateau

Jean-Louis Delorme

Fabrice Ferrero*

Jean Pierre Gaillard

Roberto Lunelli

Giampiero Maioli*

Luca Marzotto

Antonio Paoletti

Giovanni Pavan

Roberto Sgavetta

**Members of the Executive Committee*

Board of Auditors

CHAIRPERSON

Giampaolo Scaramelli

STANDING AUDITORS

Alberto Guiotto

Andrea Martini

Antonio Simeoni

Enrico Zanetti

Senior management

CO-GENERAL MANAGER

Carlo Crosara

DEPUTY GENERAL MANAGER

Gérald Grégoire

Independent auditors

Reconta Ernst & Young S.p.A.

Profile of the Cariparma Crédit Agricole Group

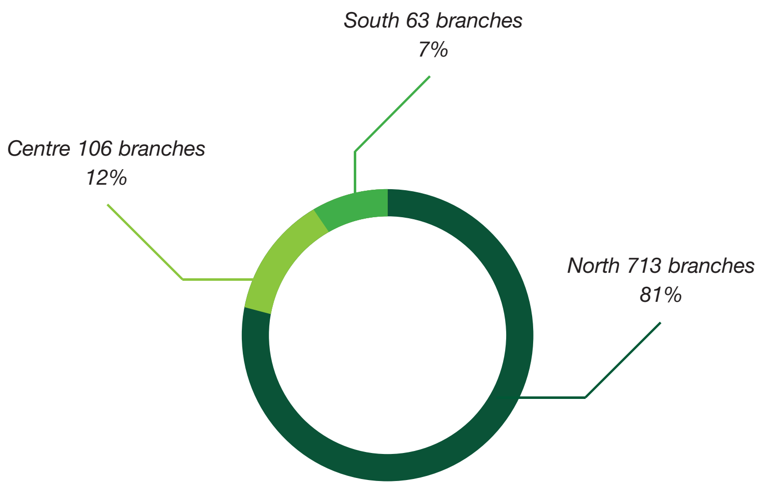
The Cariparma Crédit Agricole Group is part of the French Group Crédit Agricole and consists of:
- Cassa di Risparmio di Parma & Piacenza S.p.A. (Cariparma)
- Banca Popolare FriulAdria S.p.A. (FriulAdria)
- Cassa di Risparmio della Spezia S.p.A. (Carispezia)
- Crédit Agricole Leasing S.r.l. (CALIT)

is organized based on a federal model with Cariparma as the Parent Company, and operates in 10 Regions of Italy:
- Campania
- Emilia-Romagna
- Friuli Venezia Giulia
- Lazio
- Liguria
- Lombardy
- Piedmont
- Tuscany
- Umbria
- Veneto

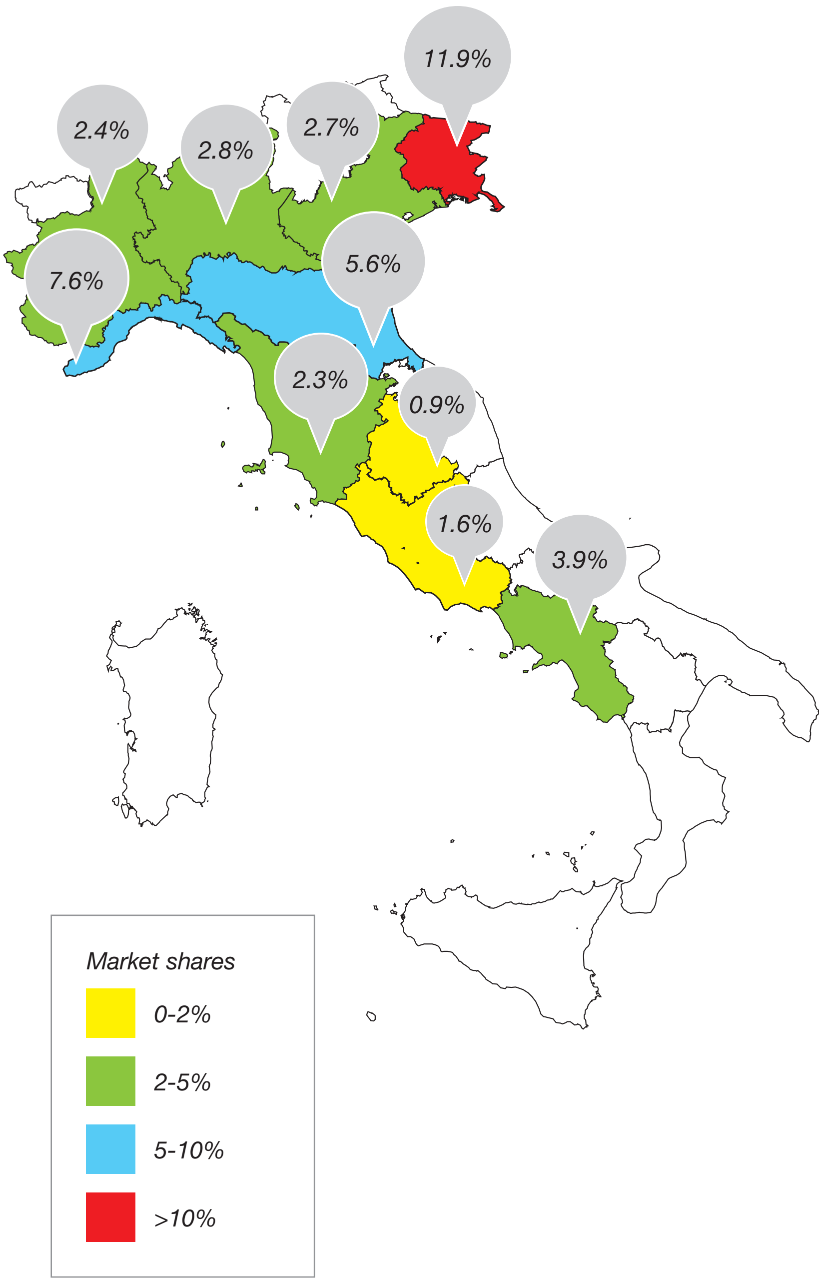
The Cariparma Crédit Agricole Group ranks among the top eight players in the Italian banking scenario in terms of areas of operations, with 8,775 employees and 1,700,000 customers.

	Cariparma	Carispezia	FriulAdria	Group
Number of branches	606	72	204	882
Private Banking centres	15	1	6	22
Enterprise Centres	17	3	8	28
Corporate Areas	5	1	1	7

» TERRITORIAL DISTRIBUTION OF BRANCHES



» BRANCH MARKET SHARE BY REGION



profile

The Crédit Agricole Group is the market leader in France in Universal Customer-Focused Banking and one of the largest banks in Europe.

As the leading financial partner of the French economy and a major European player, the Crédit Agricole Group supports its customers' projects in France and around the world across the full spectrum of retail banking businesses and related specialised businesses: insurance, asset management, leasing and factoring, consumer finance, corporate and investment banking.

Underpinned by firm cooperative and mutual foundations, 150,000 employees and the 29,000 directors of its Local and Regional Banks, the Crédit Agricole Group is a responsible and responsive bank serving 51 million customers, 6.9 million mutual shareholders and 1.2 million shareholders.

In its efforts to support the economy, Crédit Agricole also stands out through its dynamic and innovative social and environmental responsibility policy. The Group features in the top 3 of Novethic's rankings concerning corporate social responsibility and responsible reporting by Europe's 31 largest banks and insurance companies.

www.credit-agricole.com

51 million
clients worldwide

150,000
employees

€31 billion
Revenues

€10.6 billion
Gross operating income

€71 billion
Shareholders'equity - Group share

11.8 %*
Core tier one ratio

* *pro forma post completion of Emporiki disposal*

The Group's organisation

6.9 million mutual shareholders underpin Crédit Agricole's cooperative organisational structure. They own the capital of the **2,512 Local Banks** in the form of mutual shares and they designate their representatives each year. **29,000 directors** carry their expectations.

The Local Banks own the majority of the Regional Banks' share capital. The **39 Regional Banks** are cooperative Regional Banks that offer their customers a comprehensive range of products and services.
The discussion body for the Regional Banks is the Fédération Nationale du Crédit Agricole, where the Group's main orientations are decided.

Crédit Agricole S.A. owns around 25% of share capital in the Regional Banks (excl. the Regional Bank of Corsica).
It coordinates, in relation with its specialist subsidiaries the various business lines' strategies in France and abroad.

CRÉDIT AGRICOLE S.A.'S SHARE OWNERSHIP

56.3%

of share capital held by the 39 Regional Banks via holding company SAS Rue La Boétie.

43.4%

of share capital held by:

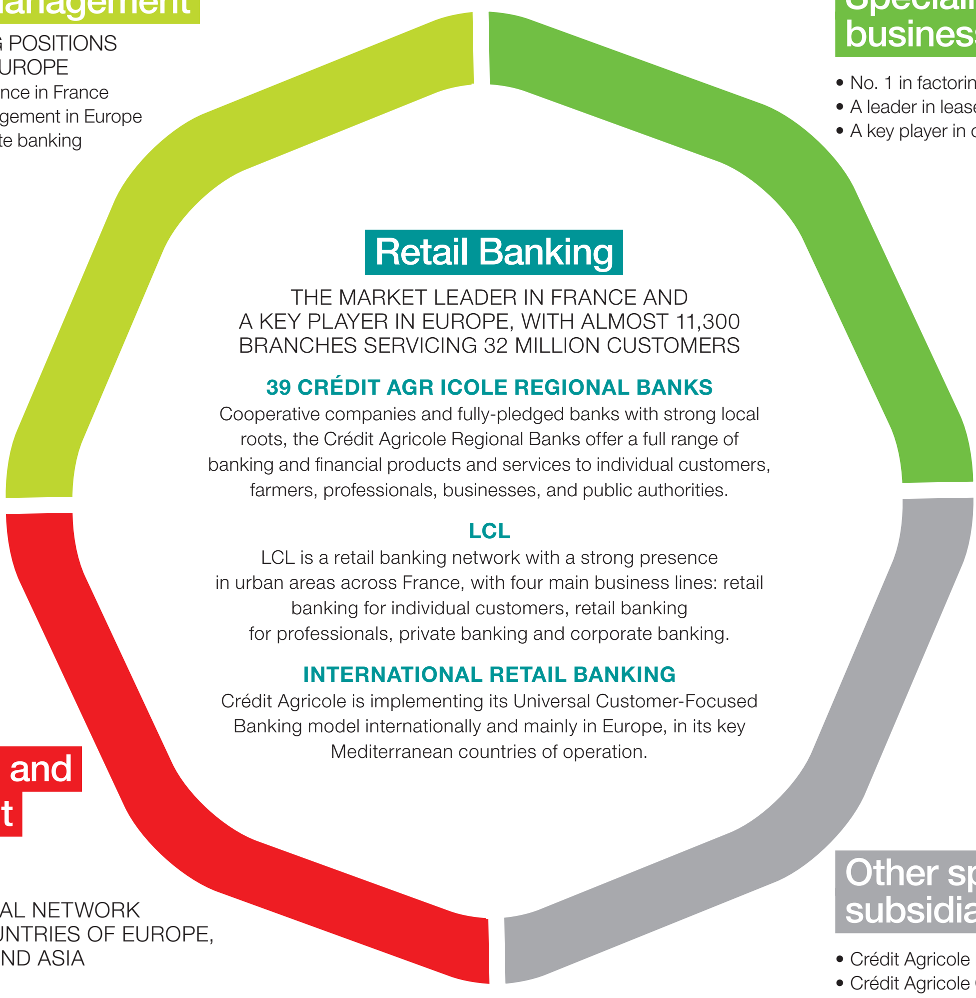
01 Institutional investors: 27.9%
02 Individual shareholders: 11.1%
03 Employees via employee mutual funds: 4.4%

0.3%

treasury shares

A Universal Customer-Focused Bank

The Credit Agricole Group consists of Crédit Agricole S.A. along with all of the Regional and Local Banks, and together they are developing the Universal Customer-Focused Banking model. This model relies on synergies realised between retail banks and associated specialised business lines.



Savings management

MARKET-LEADING POSITIONS IN FRANCE AND EUROPE

- No. 1 in bancassurance in France
- No. 2 in asset management in Europe
- A key player in private banking in Europe

Specialised business lines

- No. 1 in factoring in France
- A leader in lease financing in France
- A key player in consumer finance

Retail Banking

THE MARKET LEADER IN FRANCE AND A KEY PLAYER IN EUROPE, WITH ALMOST 11,300 BRANCHES SERVICING 32 MILLION CUSTOMERS

39 CRÉDIT AGR ICOLE REGIONAL BANKS

Cooperative companies and fully-pledged banks with strong local roots, the Crédit Agricole Regional Banks offer a full range of banking and financial products and services to individual customers, farmers, professionals, businesses, and public authorities.

LCL

LCL is a retail banking network with a strong presence in urban areas across France, with four main business lines: retail banking for individual customers, retail banking for professionals, private banking and corporate banking.

INTERNATIONAL RETAIL BANKING

Crédit Agricole is implementing its Universal Customer-Focused Banking model internationally and mainly in Europe, in its key Mediterranean countries of operation.

Corporate and investment banking

AN INTERNATIONAL NETWORK IN THE MAIN COUNTRIES OF EUROPE, THE AMERICAS AND ASIA

- Financing activities
- Investment banking
- Debt optimisation and distribution
- Capital markets

Other specialised subsidiaries

- Crédit Agricole Immobilier
- Crédit Agricole Capital Investissement & Finance
- Uni-éditions
- Crédit Agricole Cards & Payments

The Crédit Agricole Group in Italy

In Italy, Crédit Agricole operates in all areas of Italian financial services.

For the Crédit Agricole Group, Italy is the second domestic market, ranking immediately after France.

Specialised Financial Services

CRÉDIT AGRICOLE LEASING

- is operating in real estate, equipment, cars and energy leasing
- Ranked 15th in the italian lease market with a market share of about 2%
- € 2 billion credit portfolio at the end of 2012

CRÉDIT AGRICOLE COMMERCIAL FINANCE

- ranked 14th in factoring in Italy
- Italian market is highly competitive with 30 operators
- € 1,8 billion factored turnover
- market share: 1%

Agos DUCATO

- € 18,2 billion total assets
- market share: 12,3%
- widespread presence throughout Italy with 234 direct branches and Cariparma Crédit Agricole Group and Banco Popolare Italiano networks.

Corporate and investment banking

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

- provides its customers with products and services in capital markets activities, structured finance and loans
- its customers are large corporates, financial institutions and public sector

Asset Management

Amundi
ASSET MANAGEMENT

- Manager of more than 70 italian based funds and of one open- end pension fund (Seconda pensione)
- distributes the Luxemburg-based Sicav, Amundi Funds and Amundi Sicav
- Asset Under Management: about €23,4 billion (source Assogestioni - june 2012)
- is one of the leading foreign operators in Italy in managed assests

CRÉDIT AGRICOLE FIDUCIARIA

- a trust company specialising in customer asset servicing, according to italian law (1966/1939)
- operates in Italy since 2012
- it refers for the most part to clients of italian and international banks

Insurance

CRÉDIT AGRICOLE VITA

- subsidiary, 100% owned by Crédit Agricole Assurances S.A., is a life insurer
- markets its products through Cariparma Group network
- ranked 7th bancassurer in italian sector
- € 1,7 billion is the amount of premiums received in 2012 (tecnical riserves for €8B)
- 360.000 existing policies

CRÉDIT AGRICOLE ASSICURAZIONI

- subsidiary, 100% owned by Crédit Agricole Assurances S.A., is a non-life insurer
- 1,9% market share in the italian non-life bancassurance sector
- 57.000 homes policies
- 38.000 vehicles policies
- “Protezione persona” a new personal accident product offered from december 2012

CRÉDIT AGRICOLE CREDITOR INSURANCE

- a specialized company in CPI products, credit protection and Life-Style
- Operates in 11 different country, in Italy since september 2010 with CACI-Life and CACI-Non Life
- is one of the first company specialized in this sector

Private Equity

IDIA-SODICA ITALIA
CA AGRO-ALIMENTARE

- Operates in Italy through C3A, an italian-based financial holding, 36,85% owned by Cariparma and FriulAdria
- Focus on unlisted italian SMEs and on investment in the agri-food and agri-industrial sectors

Report and Financial Statements of FriulAdria

Financial highlights and ratios

Income statement (°) (thousands of euro)	31.12.2012	31.12.2011	Changes Amount	Changes %
Net interest income	186,819	191,531	-4,712	-2.5
Net commission income	116,652	102,576	14,076	13.7
Dividends	381	298	83	27.9
Net gain (loss) on financial activities	5,826	8,542	-2,716	-31.8
Other operating revenues (expenses)	-3,659	-3,905	-246	-6.3
Net operating revenues	306,019	299,042	6,977	2.3
Operating expenses	-218,548	-190,196	28,352	14.9
Net Operating profit	87,471	108,846	-21,375	-19.6
Net provisions for liabilities and contingencies	-3,329	-893	2,436	
Net impairment adjustments of loans	-59,260	-37,519	21,741	57.9
Net profit	18,948	44,041	-25,093	-57.0

Balance sheet (°) (thousands of euro)	31.12.2012	31.12.2011 (*)	Changes Amount	Changes %
Loans to customers	6,439,839	6,491,187	-51,348	-0.8
Net financial assets / liabilities held for trading	19,042	25,193	-6,151	-24.4
Financial assets available for sale	874,584	769,860	104,724	13.6
Equity investments	5,350	5,667	-317	-5.6
Property, plant and equipment and intangible assets	195,280	200,234	-4,954	-2.5
Total net assets	8,021,260	7,925,021	96,239	1.2
Funding from customers	857,812	912,620	-54,808	-6.0
Indirect funding from customers	5,896,328	5,979,102	-82,774	-1.4
of which: asset management	5,625,486	5,472,268	153,218	2.8
Net due to banks	2,971,949	2,909,572	62,377	2.1
Shareholders' equity	672,378	639,155	33,223	5.2

Operating structure	31.12.2012	31.12.2011	Changes Amount	Changes %
Number of employees	1,708	1,746	-38	-2.2
Average number of employees (§)	1,639	1,622	17	1.0
Number of branches	204	208	-4	-1.9

(°) Income statement and balance sheet figures have been drawn from the reclassified financial statements shown on pages 21 and 30.

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time staff is conventionally weighted at 50%.

Structure ratios (°)	31.12.2012	31.12.2011
Loans to customers / Total net assets	80.3%	81.9%
Direct customer deposits / Total net assets	73.5%	75.4%
Asset management / Total indirect funding	52.8%	53.2%
Loans to customers / Direct customer deposits	109.2%	108.6%
Total assets / Shareholders' Equity (Leverage)	12.8	13.0

Profitability ratios (°)	31.12.2012	31.12.2011
Net interest income / Net operating revenues	61.0%	64.0%
Net commissions income / Net operating revenues	38.1%	34.3%
Cost / income [c]	63.1%	63.6%
Net income / Average equity (ROE)[a]	2.9%	6.9%
Net profit / Total assets (ROA)	0.2%	0.5%
Net profit / Risk-weighted assets	0.3%	0.8%

Risk ratios (°)	31.12.2012	31.12.2011 (*)
Gross bad debts / Gross loans to customers	5.1%	4.2%
Net bad debts / Net loans to customers	1.9%	1.6%
Net impairment adjustments of loans / Net loans to customers	0.9%	0.6%
Cost of risk [b] / Operating profit	71.6%	35.3%
Net bad debts / Total regulatory capital	22.4%	19.6%
Net impaired loans / Net loans to customers	5.1%	4.6%
Total writedowns on impaired loans / Gross impaired loans	47.1%	44.6%

Productivity ratios (°) (economic)	31.12.2012	31.12.2011
Operating expenses [c] / No. of employees (average)	117.9	117.3
Operating revenues / No. of employees (average)	186.7	184.4

Productivity ratios (°) (capital)	31.12.2012	31.12.2011
Loans to customers / No. of employees (average)	3,929.1	4,002.0
Direct customer deposits / No. of employees (average)	3,597.5	3,686.3

Capital ratios (§)	31.12.2012	31.12.2011
Core Tier 1 [d] / Risk-weighted assets (Core Tier 1 ratio)	9.4%	9.3%
Tier 1 capital / Risk-weighted assets (Tier 1 ratio)	9.4%	9.3%
Total regulatory capital / Risk-weighted assets (Total capital ratio)	9.4%	9.4%
Risk-weighted assets (thousands of euro)	5,712,413	5,668,650

(°) The Ratios have been based on the balance sheet and income statement figures restated in the reclassified financial statements shown on pages 21 and 30.

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

(a) Ratio of net profit (including the expenses borne for the Solisarity Fund) to equity weighted avarage.

(b) Total risk cost includes the provision for liabilities and contingencies, as well as net adjustments of loans.

(c) Ratio calculated net of the expenses borne for the Solidarity Fund activated in 2012 as reported on page 42.

(d) Core Tier 1 is Tier 1 capital net of innovative equity instruments.

(§) In calculating total capital requirements, the 25% reduction provided for by supervisory regulations was not taken into account. Should this 25% reduction have been considered, the capital requirements would have been calculated on risk-weighted assets amounting to €4,284,302 thousand and, consequently, would have been 12.5%.

Management Report

» THE MACROECONOMIC SCENARIO AND THE BANKING SYSTEM IN 2012

The macroeconomic scenario in 2012

The slowdown in the world economy, which started at the end of 2011, continued throughout 2012. Only around the end of the year, both emerging markets and mature economies stabilized. The steps forward in the USA budgetary policy, which prevented the adoption of a strict policy of increase in taxes and decrease in government spending (fiscal cliff), and those in the Europe have eased tensions in international markets.

In the Eurozone, economic activity continued to weaken throughout 2012. The consequences of the financial tensions that hit several Eurozone countries in the year and the effects of the necessary fiscal consolidation measures have now also spread to economies that were considered to be robust. However, in the last part of the year, tensions on financial markets abated: in the countries that had been severely affected by the sovereign debt crisis, Government securities yields came down and capital began to flow again. These positive developments were also due to the effects of the ECB's Outright Monetary Transactions (OMT) and, afterwards, to the decisions made at a European level. Specifically, in November, the Eurogroup renewed its support to Greece and an agreement was reached on the setting up of a single supervisory mechanism for banks, in order to break the vicious circle between sovereign debt and state of the banking system.

Despite abatement of tensions, recession, which hit EU peripheral countries throughout 2012, spread also to core Europe. For 2012, the Eurozone GDP is estimated to decrease by 0.4% y/y due to the negative performance of domestic demand, downturn in investments and stagnation of household consumption; export was the only positive contribution to the performance of European economy (up by 1.4%).

As to monetary policy action, in July, the European Central Bank cut the interest rate on the main refinancing operations by 25 basis points reducing it to 0.75%. In 2012, 3-month Euribor interest rate markedly decreased from 1.44% of December 2011 to 0.19% of December 2012 (-126 basis points).

As to the Italian economy, in the second half of 2012 financial markets recovered, foreign investors started again buying Italian public debt securities and Italy-Germany 10-year yield spread dropped from 550 basis points in November 2011 to approximately 250 basis points in January 2013. With regard to real economy, recession continued throughout 2012, with a decrease in GDP[1] by -2.2% y/y, due t the sharp contraction in household spending (down by 4.2% y/y), in investments (down by 8.0% y/y) and modest growth in exports (up by 2.3% y/y).

Starting from autumn 2012, inflation progressively declined, coming to 2.3% in December (2.5% in November 2012). This fall was due to both the decrease in prices of energy products (in particular oil price), and to the end of the effects generated by the increase in indirect taxes implemented in autumn 2011 (VAT rate from 20% to 21%).

The Banking System in 2012

In 2012, the Italian Banking System achieved modest profitability, due to a contraction in interest income, a decrease in intermediated assets and the significant weight of adjustments of loans. For many banks, only trading and carry trade activities on government securities offset the contraction in interest income from their traditional business.

[1] Source: Prometeia Forecast Report March 2013

Lending to households and enterprises[2] continued to weaken, decreasing in volumes, in December 2012, by -2.9% y/y. This contraction was mainly due to the enterprise segment, which decreased by -5.1% y/y. Loans to households also progressively decreased and, in December 2012 were in line with the previous year (up by +0.4% y/y), driven by the home loan component (up by +1.1% y/y). In general, the downturn in bank loans was due to the decrease in demand associated to the economic recession, fall in investments, financial instability and the low confidence of households and enterprises. In terms of supply, in 2012 there was a slight improvement thanks to the effectiveness of the measures implemented by the ECB to support bank lending and liquidity, as well as to Banks' capital strengthening.

Throughout 2012, funding performance[3] was rather modest. In the last part of the year, with no contribution of funding from abroad, funding from customers had a negative performance decreasing by -3.5% y/y in December 2012. The various components show that the short-term segment increased by +7.4% y/y, while the medium-/long-term segment decreased significantly (down by -13.6% y/y).

In December 2012, interest rates on loans had slightly decreased and come to modest values, with regard to both total loans and new loans. In December 2012, the weighted average interest rate on total loans to households and enterprises came to 3.78% (45 basis points below the value of December 2011). On the other hand, interest rate on funding continued high (coming to 2.08% in December 2012, up by +8 basis points compared with December 2011) due to the strong tensions on Italian public debt.

As to assets under administration, their weakening, which started at the beginning of 2012, progressively increased, mainly due to a contraction in the share component. With regard to assets under management, the common investment scheme segment improved compared with the crisis most acute phase of 2011, mainly thanks to bond placement. The insurance segment significantly decreased with regard to both traditional products and the financial component that was affected by Customers' higher risk aversion.

Throughout 2012, credit quality worsened. In the first eleven months of 2012, new bad debts amounted to Euro 14.6 billion; the majority of these new bad debts (Euro 11.5 billion) consisted of loans to businesses. In terms of total stock, in November gross bad debts came to Euro 122 billion, increasing by Euro +17.5 billion over November 2011 (stock: up by +16.8% y/y). The ratio of bad debts to loans also increased coming to 6.1% in November 2012 (compared with 5.3% of the previous year).

The local economy

(Sources: Bank of Italy – Regional Economies and Prometeia - Development scenarios for Italian local economies)

The Friuli Venezia Giulia Region

In the second half of 2011, the recovery in demand to the regional productive system, which had continued for the previous two years, ended. In the first part of 2012, the economic situation deteriorated even further and the ongoing weakness of home demand combined with the decrease in foreign demand. In 2012, the GDP decreased by 2.0% y/y, due to a marked decrease in exports (down by -9.0% y/y; this particularly negative performance was a consequence of the downturn in exports in the Region key-sectors, which were severely impacted by the economic crisis, such as: machinery and other equipment; means of transport, which was impacted by the shipbuilding industry), as well as a consequence of the decrease in households' consumption (down by 3.1% y/y) and in investments (down by 6.8% y/y). Business operations, in particular in the private and public building sector, have markedly weakened and the outlook is negative. The main forecast indicators also showed a worsening in the labour market, with estimated unemployment rate of 7.1% at the end of 2012.

Based on the latest forecasts for 2013, the GDP is expected to be essentially in line with 2012. This improvement will be driven by a recovery in exports (up by 3.6% y/y) and in investments (up by 0.8% y/y). In terms of domestic demand, on the other hand, the effects of the measures implemented to balance public budgets will impact also in 2013 and this will contribute to a further decrease in household spending (-0.8% y/y). In the labour market, the situation will continue difficult, with unemployment rate that is expected to continue high, coming to 7.7%.

[2] Source: Italian Banking Association (ABI) sample (includes 80% of the Banks operating in Italy and does not consider the operations of Cassa Depositi e Prestiti, an Italian bank 70% of which is held by the Italian Ministry of Economy and Finance).

[3] Source: Prometeia Forecast Report March 2013

The Veneto Region

In the first half of 2012, the economic activity in the Veneto Region decreased due to the drop in domestic demand and to the slowdown in world trade; for 2012, the GDP is expected to decrease by 2.1% y/y. In the year, household spending decreased (a drop of 3.2% y/y is expected), causing a decrease in sales for trade businesses. Foreign demand also decreased, with exports down by 1.4% y/y, which unavoidably led to a decrease in industrial production. The worsening in the economic outlook and the still tense financial conditions depresses investments even further, which are expected to decrease by 6.2% y/y. In 2012, labour market conditions also worsened, with the unemployment rate coming to 6.9%.

For 2013, an increase is expected, even though a marginal one, in GDP (up by 0.1% y/t), by the Italian national economy is expected to decrease further. This improvement will be driven by a recovery in exports (up by 3.6% y/y) and in investments (up by +1.1% y/y). On the other hand, household spending will continue negative, decreasing by 0.9% y/y, due to both increased tax pressure and to the difficult conditions of the labour market; the unemployment rate is expected to increase to 7.2%.

» PERFORMANCE

The difficult economic situation affecting Europe and our Country produces effects on the performances of companies and banks; therefore, the performance of Banca Popolare FriulAdria must be analyzed in strict correlation with the deterioration of the economic scenario. Specifically, the Bank's performance was impacted by the decrease in market rates, by the high cost of funding, by a slowdown in the demand for loans combined with an increase in the cost of risk. Moreover, the Bank's profitability was affected by extraordinary expenses relating to voluntary redundancy incentives, which were entirely recognized in the year being reported but will produce their benefits in future years.

Income Statement reclassification

In order to present performance more effectively, a summary income statement has been prepared with appropriate reclassifications so as to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- the recovery of the time value component on loans, reported under net interest income, rather than net impairment adjustments of loans, since this arises directly from applying the amortized cost method when there are no changes in expected future cash flows;
- net gains (losses) on trading activities and the net gains (losses) on hedging activities have been reallocated to gains or losses on financial activities;
- gains and losses on the sale or repurchase of available-for-sale financial assets and financial liabilities have been re-allocated to gains or losses on financial activities;
- The recovery of expenses, taxes and duties has been posted as a direct reduction of administrative expenses, rather than being reported under other operating revenues/expenses;
- commissions for fast loan application processing have been taken to commission income rather than being recognized under other operating revenues/expenses;
- net impairment adjustments/writebacks of financial assets available for sale have been reported under other operating revenues/expenses;
- net impairment adjustments of other financial transactions, mainly relating to guarantees issued and commitments, were recognized within net adjustments on loans.

The figures presented below are expressed in thousands of Euros.

Reclassified Income Statement

	31.12.2012	31.12.2011	Changes	
			Amount	%
Net interest income	186,819	191,531	-4,712	- 2.5
Net commission income	116,652	102,576	14,076	13.7
Dividends	381	298	83	27.9
Net gain (loss) on financial activities	5,826	8,542	-2,716	-31.8
Other operating revenues (expenses)	-3,659	-3,905	-246	-6.3
Net operating revenues	**306,019**	**299,042**	**6,977**	**2.3**
Staff expenses	-137,515	-110,664	26,851	24.3
Administrative expenses	-73,500	-72,446	1,054	1.5
Depreciation and amortization	-7,533	-7,086	447	6.3
Operating expenses	**-218,548**	**-190,196**	**28,352**	**14.9**
Net operating profit	**87,471**	**108,846**	**-21,375**	**-19.6**
Net provisions for liabilities and contingencies	-3,329	-893	2,436	
Net adjustments of loans	-59,260	-37,519	21,741	57.9
Gain (loss) from financial assets held to maturity and other investments	-294	-	294	
Profit before tax on continuing operations	**24,588**	**70,434**	**-45,846**	**-65.1**
Income tax for the period on continuing operations	-5,640	-26,393	-20,753	-78.6
Profit (loss) after tax of groups of assets/liabilities under disposal	-	-	-	
Net profit (loss) for the period	**18,948**	**44,041**	**-25,093**	**-57.0**

Reconciliation between the Official and Reclassified Income Statements

		31.12.2012	31.12.2011
Net interest income		**186,819**	**191,531**
30.	Net interest margin	178,416	184,681
130.	Net impairment adjustments of: a) loans, of which time value on impaired loans	8,403	6,850
Net commissions income = item 60		**116,652**	**102,576**
60.	Net commissions	114,123	102,576
190.	Other operating revenues/expenses: past due commission	2,529	-
Dividends = item 70		**381**	**298**
Net gain (loss) on financial activities		**5,826**	**8,542**
80.	Net gain (loss) on financial activities	3,801	6,345
90.	Net gain (loss) on hedging activities	2,088	-610
100.	Gain (loss) on the disposal or repurchase of: b) financial assets available for sale	152	2,760
100.	Gain (loss) on the disposal or repurchase of: d) financial liabilities	-215	47
Other operating revenues (expenses)		**-3,659**	**-3,905**
190.	Other operating revenues (expenses)	36,996	35,759
less: recovery of expenses		-37,416	-38,010
less: past due commission		-2,529	-
130.	Net impairment adjustments of: b) financial assets available for sale	-710	-1,654
Net operating revenues		**306,019**	**299,042**
Staff expenses = 150 a)		**-137,515**	**-110,664**
Administrative expenses		**-73,500**	**-72,446**
150.	Administrative expenses: b) other administrative expenses	-110,916	-110,456
190.	Other operating revenues/expenses: recovery of expenses	37,416	38,010
Depreciation and amortization		**-7,533**	**-7,086**
170.	Net adjustments of property, plant and equipment	-5,318	-5,286
180.	Net adjustments of intangible assets	-2,215	-1,800
Operating expenses		**-218,548**	**-190,196**
Net operating profit		**87,471**	**108,846**
Goodwill value adjustments = item 230		**-**	**-**
Net provisions for liabilities and contingencies = Item 160		**-3,329**	**-893**
Net impairment adjustments of loans		**-59,260**	**-37,519**
100.	Gain/loss on the disposal of: a) loans	-	-
130.	Net impairment adjustments of: a) loans	-50,816	-33,524
130.	Net impairment adjustments of: a) loans, of which time value on impaired loans	-8,403	-6,850
130.	Net impairment adjustments of: d) other financial transactions	-41	2,855
Gain (loss) from financial assets held to maturity and other investments		**-294**	**-**
210.	Gain (loss) from equity investments	-317	-
240.	Gain (loss) on disposal of investments	23	-
Profit before tax on continuing operations		**24,588**	**70,434**
Income tax on continuing operations = item 260		**-5,640**	**-26,393**
Net profit (loss) for the period		**18,948**	**44,041**

Net operating revenues

The performance of net operating revenues, which represent income from lending intermediation and provision of services, substantiates the stability of the Bank's commercial operations; indeed, net operating revenues came to €306 million, up by nearly €7 million (+2.3%) driven by a good performance of net commission income. This good performance was almost entirely due to the traditional banking business and was achieved without any proprietary trading activities, thus substantiating FriulAdria positioning as proximity bank, with a strong bond to its areas of operations servicing businesses and households.

Net interest income

			Changes	
Items	31.12.2012	31.12.2011	Amount	%
Business with customers	195,662	201,237	-5,575	-2.8
Business with banks	-6,900	-15,851	-8,951	-56.5
Securities issued	-51,076	-37,011	14,065	38.0
Differences on hedging derivatives	17,818	5,168	12,650	
Financial assets held for trading	875	982	-107	-10.9
Financial assets available for sale	30,385	36,946	-6,561	-17.8
Other net interest	55	60	-5	-8.3
Net interest income	**186,819**	**191,531**	**-4,712**	**-2.5**

Net interest income came to €186.8 million, decreasing by 2.5% from €191.5 million of the previous year. This decrease was mainly due to business with customers, consisting of customers' accounts and outstanding securities, as well as to interest income relating to available-for-sale financial assets. Net interest income from customers came to €195.7 million, decreasing by €5.6 million vs. the previous year, while interest expenses on securities issued by the Bank increased by €14 million (up by 38.0%). The decrease in EURIBOR, combined with a high cost of funding from customers, caused a reduction in the average rate spread and, consequently, lower income. The decrease in interest income from available-for-sale financial assets, which came to €6.6 million (down by 17.8%), was due to the reduction in investments in fixed-rate government securities made at the end of 2011; therefore, in the year being reported, there were no similar volumes of investments and revenues. The lower cost of interbank funding and coverage activities mitigated the total decrease in this item. Specifically, net interest income from business with banks decreased by €9.0 million (down by 56.5%), while differences on hedging derivatives increased by €12.7 million.

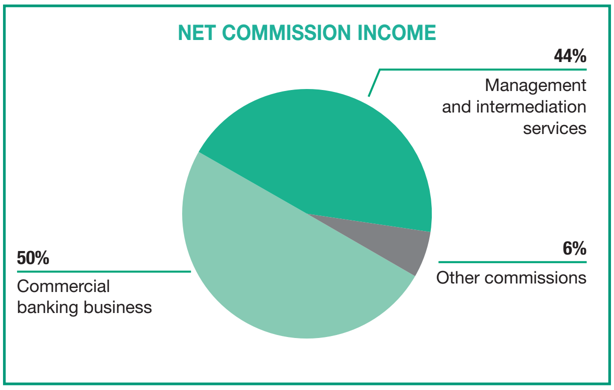
Dividends

Dividends from equity investments slightly increased vs. the previous year. Total dividends consisted of dividends amounting to €321 thousand distributed by Autoservizi Friuli Venezia Giulia S.p.A. - Saf and dividends amounting to €60 thousand distributed by ATAP S.p.A.

Net commission income

Items	31.12.2012	31.12.2011	Changes Amount	Changes %
- guarantees issued	1,245	2,340	-1,095	-46.8
- collection and payment services	8,675	8,007	668	8.3
- current accounts	43,037	37,598	5,439	14.5
- debit and credit card services	5,289	4,359	930	21.3
Commercial banking business	**58,246**	**52,304**	**5,942**	**11.4**
- securities intermediation and placement	25,364	16,719	8,645	51.7
- foreign exchange	1,023	1,008	15	1.5
- asset management	1,406	1,584	-178	-11.2
- distribution of insurance products	22,964	23,794	-830	-3.5
- other intermediation/management commissions	654	1,085	-431	-39.7
Management, intermediation and advisory services	**51,411**	**44,190**	**7,221**	**16.3**
Other net commissions	**6,995**	**6,082**	**913**	**15.0**
Total net commissions income	**116,652**	**102,576**	**14,076**	**13.7**

Net commission income came to €116.7 million, up by €14.1 million (+13.7%) vs. 2011. This performance was due to both commercial banking business, which increased by €5.9 million, and to management, intermediation e advisory services, which increased by €7.2 million. The commercial banking business was driven by commission income relating to current accounts, which came to €43 million increasing by €5.4 million (up by 14.5%). This was mainly due to the changes made to the commission system applied to credit lines and overlimit positions subsequent to the new legislative measures ("Save Italy", "Liberalization" Decrees and Law Decree No. 29/2012). The increase in revenues from management, intermediation e advisory services was due to the placement of financial products of the Crédit Agricole Group, specifically certificates collective investment schemes. Commission income from intermediation on and placement of securities came to €25.4 million, increasing by €8.6 million (up by 51.7%).



Net gain (loss) on financial activities

Items	31.12.2012	31.12.2011	Changes	
			Amount	%
Interest rates	2,546	5,214	-2,668	-51.2
Equities	-9	102	-111	
Foreign exchange	1,049	1,076	-27	-2.5
Total net gain (loss) on financial assets held for trading	**3,586**	**6,392**	**-2,806**	**-43.9**
Total gain (loss) on hedging activities	**2,088**	**-610**	**2,698**	
Gain (loss) on disposal of financial assets available for sale	**152**	**2,760**	**-2,608**	**-94.5**
Net gain (loss) on financial activities	**5,826**	**8,542**	**-2,716**	**-31.8**

Net gains from trading activities came to €5.8 million, decreasing by €2.7 million (down by 31.8%) vs. the previous year. In 2012, essentially no transactions were made on the proprietary portfolio; therefore gains from sale of available-for-sale financial assets were negligible (amounting to €152 thousand vs. €2.8 million in 2011). Gains on assets held for trading came to €3.6 million, decreasing by €2.8 million (down by 43.9%). Net gains on currency assets were essentially stable; gains from financial trading were made through transactions on interest rates, thus trading of government securities, bonds and especially derivatives. The decrease in these revenues was mainly due to activities on derivatives on behalf of customers: the slowdown in the demand for loans by businesses caused a decrease in the demand for derivatives that businesses use to manage interest rate volatility risks. Hedging activities were the only item that performed against the general decreasing trend, compared with the previous year, with gains amounting to €2.1 million vs. a loss of €610 thousand in 2011.

Other operating revenues (expenses)

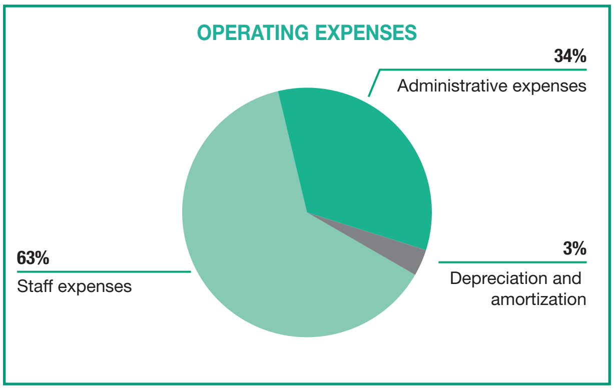
This item includes operating expenses amounting to €3.7 million, slightly decreasing from €3.9 million of the previous year. It also includes amortization relating to improvement on leased assets (expenses borne to upgrade leases buildings to operating requirements) amounting to €1.2 million, vs. €1.1 million the previous year; impairment losses on available-for-sale securities amounted to €700 thousand, vs. €1.7 million in 2011, and other expenses/revenues that showed a negative balance of €1,8 million vs. €1 million in 2011.

Operating expenses

Items	31.12.2012	31.12.2011	Changes	
			Amount	%
- wages and salaries	-81,166	-80,008	1,158	1.4
- social security contributions	-21,801	-21,066	735	3.5
- other staff expenses	-34,548	-9,590	24,958	
Staff expenses	**-137,515**	**-110,664**	**26,851**	**24.3**
- general operating expenses	-19,122	-19,134	-12	-0.1
- IT services	-10,683	-9,752	931	9.5
- direct and indirect taxes	-15,296	-15,895	-599	-3.8
- facilities management	-10,187	-8,955	1,232	13.8
- legal and other professional services	-2,619	-2,887	-268	-9.3
- advertising and promotion costs	-2,099	-3,205	-1,106	-34.5
- indirect staff expenses	-2,274	-2,608	-334	-12.8
- other expenses	-48,636	-48,020	616	1.3
- recovery of expenses and charges	37,416	38,010	-594	-1.6
Administrative expenses	**-73,500**	**-72,446**	**1,054**	**1.5**
- intangible assets	-2,215	-1,800	415	23.1
- property, plant and equipment	-5,318	-5,286	32	0.6
Depreciation and amortization	**-7,533**	**-7,086**	**447**	**6.3**
Operating expenses	**-218,548**	**-190,196**	**28,352**	**14.9**

Specifically:

- **Staff expenses** amounted to €137.5 million, increasing by €26.9 million (up by 24.3%) vs. the previous year. Voluntary redundancy incentives, pursuant to the Agreement signed on 2 June 2012 as integrated on 20 December 2012, accounted for the increase of €25.4 million in these expenses borne in the year. The increase in these expenses was due to the pay increases provided for the relevant contracts and to the staff of the branches acquired in the year and was partially offset by an effective management of overtime and days off, as well as by the first terminations of staff members that joined the above voluntary redundancy plan. As at the end of 2012, the number of employees was 1,708, with a decrease of 38 employees, which was almost entirely due to the partial implementation of the agreement for voluntary redundancy, which provides for the first terminations in 2012 and 2013. It is pointed out that, in compliance with IASs/IFRSs, the expenses for voluntary redundancy were totally recognized in 2012, the year in which the Agreement was signed.
- **Administrative expenses** came to €73.5 million, increasing by €1.1 million (up by 1.5%) vs. 2011. Expenses for property management, amounting to €10.2 million, increased by €1.2 million (up by 13.8%): this increase was due to the acquired branches that, unlike the previous year, contributed to these expenses for the entire year. The increase in expenses for IT services was mainly due to the recognition, effective as from the reporting year, of expenses relating to e-money and other services, which, in the previous years, were recognized under commission expenses. Advertising and promotion expenses decreased by €1.1 million (down by 34.5%), coming to €2.1 million vs. €3.2 million in the previous year; this decrease was due to reduced commercial sponsorships. Recoveries of expenses and charges included taxes refunded by customers by direct debit to current accounts; the performance is consistent with the expense item “indirect taxes”, which included the expenses borne by the Bank, both on its own behalf and on behalf of Customers.
- **Depreciation and amortization** came to €7.5 million, increasing by 6.3% vs. the previous year. This increase was due to both new investments and to the amortization of intangible assets representing the business with customers acquired through the branches transferred in the previous year. In the previous year, this amortization was recognized starting from the month of May, when the branches were acquired, while in 2012, it was recognized for the entire year.



Net operating profit

Net operating profit came to €87.5 million, decreasing by €21.4 million (-19.6%) on the previous year. The positive performance of net operating income was penalized by operating expenses that, as reported, were impacted by the non-recurring expenses relating to the voluntary redundancy plan.

Provisions and other components

Net Provisions for liabilities and contingencies

Provisions for liabilities and contingencies amounted to €3.3 million, increasing by €2.4 million vs. the previous year, when there was a €2.8 million decrease due to release to the Income Statement of accruals for revocatory actions. Legal proceedings with the Bank as defendant accounted for €1.8 million of net provisions and non-lending related disputes accounted for €1 million.

Net impairment adjustments of loans

			Changes	
Items	31.12.2012	31.12.2011	Amount	%
- bad debts	-40,505	-23,713	16,792	70.8
- other impaired loans	-20,249	-13,689	6,560	47.9
- performing loans	1,535	-2,972	-4,507	
Net impairment adjustments of loans	**-59,219**	**-40,278**	**18,941**	**47.0**
Net adjustments of guarantees and commitments	-41	2,855	-2,896	
Net adjustments of loans	**-59,260**	**-37,519**	**21,741**	**57.9**

In 2012, the recession inevitably impacted the cost of credit. Net impairment adjustments of loans came to €59.3 million, increasing by €21.7 million (up by 57.9%) vs. 2011. The ratio measuring the cost of credit risk, which is the ratio of loan adjustments taken to the Income Statement to net loans to customers, came to 0.92%, vs. 0.58% in 2011. The worsening of this ratio reflected the ongoing recession and, thus, the difficulties met by businesses and households, the continuing decrease in domestic demand, in employment rates and in available income. Writedowns of bad debts, net of writebacks, amounted to €40.5 million vs. €23.7 million in the previous year, increasing by 70.8%. Adjustments of other impaired positions (substandard loans, restructured loans and past-due positions) amounted to €20.2 million, increasing by €6.6 million (up by 47.7%). A €1.5 million writeback of performing loans was recognized, vs. the €3 million adjustments recognized in the previous year. Collective writedown of performing loans were calculated also based on the rating classes adopted in Customer classification and the passage to impaired loan status of positions in highest risk classes accounts for the recognition of the writeback. Net adjustments for guarantees and commitments were negligible, unlike the previous year, when writebacks for €2.9 million were recognized.

Gains (loss) from financial assets held to maturity and other investments

This item, which showed a loss amounting to €294 thousand, includes the difference between the gains resulting from realization of property, plant and equipment, specifically gains amounting to €23 thousand and resulting from the sale of a property item, and a loss amounting to €317 thousand due to the impairment of the entire value of the equity investment in Glassfin S.p.A.

Profit before tax on continuing operations

Profit before tax came to €24.6 million, decreasing by €45.8 million (down by 65.1%) vs. the previous year. This was due to the decrease in the performance of net operating profit (down by 21.4 million) due to the expenses borne for the Voluntary Redundancy Solidarity Fund, to the increase in adjustments of loans and to provisions for liabilities and contingencies.

Income taxes on continuing operations

Current and deferred taxes totalled €5.6 million, decreasing by approximately €20.8 million vs. the previous year. The value for the year was affected by both full realignment of the tax value of goodwill and of the values of finite-life intangible assets resulting from transfers from the Intesa SanPaolo Group, which generated a positive effect of approximately €7.1 million, as well as by the application of a new tax legislation, which allowed for refund of higher-than-due corporate income taxes (IRES) paid in previous years (from 2007 to 2011) based on the deductibility of regional taxes on productive activities (IRAP) relating to the taxable portion of expenses for employees and equivalent staff, net of the relevant IRAP deductions, generating a positive effect on the Income Statement for the period of approximately €4.2 million. Net of these extraordinary components, in percentage terms, total taxes increased vs. the previous year, in particular due to non-deductibility of loans and receivables for the Italian Regional Tax on Productive Activities (Italian acronym: IRAP). Indeed, with a gross income essentially stable, the amount due for this tax was, increasing vs. the previous year, caused the weight of the Regional Tax on Productive Activities to increase from 13% to 39% of the gross profit.

Net profit (loss) and comprehensive income

Net profit

The effect of the present economic recession inevitably impacted on the profit for the year, which came to €18.9 million, decreasing by €25.1 million (down by 57.0%) vs. the previous year. It should be noted that this decrease was affected by expenses, such as those referring to voluntary termination incentives, which were fully recognized in the reporting year but will generate benefits in future years, specifically as from 2014. This performance substantiates the Bank's ability to cope with the crisis and to start and implement important measures to cope with the uncertainties that are expected for the near future.

Comprehensive income

Items		31.12.2012	31.12.2011
10.	**Net profit (loss) for the period**	**18,948**	**44,041**
	Other income after tax	-	-
20.	Financial assets available for sale	56,241	-66,593
30.	Property, plant and equipment	-	-
40.	Intangible assets	-	-
50.	Hedging of foreign investments	-	-
60.	Cash flow hedges	-	-234
70.	Exchange rate differences	-	-
80.	Disposal groups	-	-
90.	Actuarial gains (losses) on defined-benefit plans	-2,515	-1,945
100.	Share of valuation reserves on equity investments accounted for using the equity method	-	-
110.	**Total other income components after tax**	**53,726**	**-68,772**
120.	**Comprehensive income (Item 10+110)**	**72,674**	**-24,731**

Comprehensive income consists of the profit for the period and of the changes in assets directly recognized in equity reserves. Comprehensive income for 2012 generated a profit of €72.7 million: this was mainly due to the increase in valuation reserves for available-for-sale financial assets, which, in 2012, had a positive balance amounting to €56.2 million reflecting the change in the spread of the government securities held, mainly Italian ones.Performance of balance-sheet aggregates

» PERFORMANCE OF BALANCE-SHEET AGGREGATES

Reclassification of the Balance Sheet

In order to supply a more direct representation of the Company's balance sheet and financial position, a summary balance sheet was prepared by suitably aggregating balance-sheet items. The changes concern:

- presentation of financial Assets/Liabilities held for trading on a net basis;
- presentation of loans to banks and amounts due to banks on a net basis;
- inclusion of the net value of Hedging Derivatives and the Adjustment of financial assets and liabilities covered by generic hedging in the «Other» items in Assets and «Other» items in Liabilities;
- grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- inclusion of the item "Cash and cash equivalents" in the "Other Assets" residual item;
- grouping in the "Funding from customers" item of the «Due to customers» and "Outstanding securities" items;
- grouping of specific-purpose provisions (i.e. employee severance benefits and provisions for liabilities and contingencies) into a single aggregate.

Reclassified Balance Sheet

			Changes	
Assets	**31.12.2012**	**31.12.2011 (*)**	**Amount**	**%**
Net financial assets/liabilities held for trading	19,042	25,193	-6,151	-24.4
Financial assets available for sale	874,584	769,860	104,724	13.6
Loans to customers	6,439,839	6,491,187	-51,348	-0.8
Equity investments	5,350	5,667	-317	-5.6
Property, plant and equipment and intangible assets	195,280	200,234	-4,954	-2.5
Tax assets	139,679	134,465	5,214	3.9
Other assets	347,486	298,415	49,071	16.4
Total net assets	**8,021,260**	**7,925,021**	**96,239**	**1.2**

			Changes	
Liabilities and equity	**31.12.2012**	**31.12.2011 (*)**	**Amount**	**%**
Net due to banks	857,812	912,620	-54,808	-6.0
Funding from customers	5,896,328	5,979,102	-82,774	-1.4
Tax liabilities	48,341	45,320	3,021	6.7
Other liabilities	479,583	308,183	171,400	55.6
Specific-purpose provisions	66,818	40,641	26,177	64.4
Share capital	120,689	120,689	-	-
Reserves (net of treasury shares)	549,703	545,113	4,590	0.8
Valuation reserves	-16,962	-70,688	-53,726	-76.0
Net profit (loss) for the period	18,948	44,041	-25,093	-57.0
Total net liabilities and equity	**8,021,260**	**7,925,021**	**96,239**	**1.2**

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2012	31.12.2011 (*)
Net financial assets/liabilities held for trading	**19,042**	**25,193**
20. Financial assets held for trading	42,644	64,737
40. Financial liabilities held for trading	-23,602	-39,544
Financial assets available for sale	**874,584**	**769,860**
40. Financial assets available for sale	874,584	769,860
Loans to customers	**6,439,839**	**6,491,187**
70. Loans to customers	6,439,839	6,491,187
Equity investments	**5,350**	**5,667**
100. Equity investments	5,350	5,667
Property, plant and equipment and intangible assets	**195,280**	**200,234**
110. Property, plant and equipment	64,109	66,848
120. Intangible assets	131,171	133,386
Tax assets	**139,679**	**134,465**
130. Tax assets	139,679	134,465
Other assets	**347,486**	**298,415**
10. Cash and cash equivalents	57,232	54,671
80. Hedging derivatives	164,562	88,140
90. Value adjustment of financial assets subject to macro hedging (+/-)	1,615	1,084
150. Other Assets	124,077	154,520
Total net assets	**8,021,260**	**7,925,021**

Liabilities and equity	31.12.2012	31.12.2011 (*)
Net due to banks	**857,812**	**912,620**
60. Loans to banks	1,428,186	1,269,156
10. Due to banks	-570,374	-356,536
Funding from customers	**5,896,328**	**5,979,102**
20. Due to customers	3,933,699	4,242,568
30. Securities issued	1,962,629	1,736,534
Tax liabilities	**48,341**	**45,320**
80. Tax liabilities	48,341	45,320
Other liabilities	**479,583**	**308,183**
100. Other liabilities	280,055	197,589
60. Hedging derivatives	83,305	51,285
70. Adjustment of financial liabilities hedged generically (+/-)	116,223	59,309
Specific-purpose provisions	**66,818**	**40,641**
110. Employee severance benefits	27,229	25,618
120. Provisions for liabilities and contingencies	39,589	15,023
Share capital	**120,689**	**120,689**
180. Share capital	120,689	120,689
Reserves (net of treasury shares)	**549,703**	**545,113**
160. Reserves	77,946	73,356
170. Share premium reserve	471,757	471,757
Valuation reserves	**-16,962**	**-70,688**
130. Valuation reserves	-16,962	-70,688
Net profit (loss) for the period	**18,948**	**44,041**
200. Net profit (loss) for the period	18,948	44,041
Total net liabilities and equity	**8,021,260**	**7,925,021**

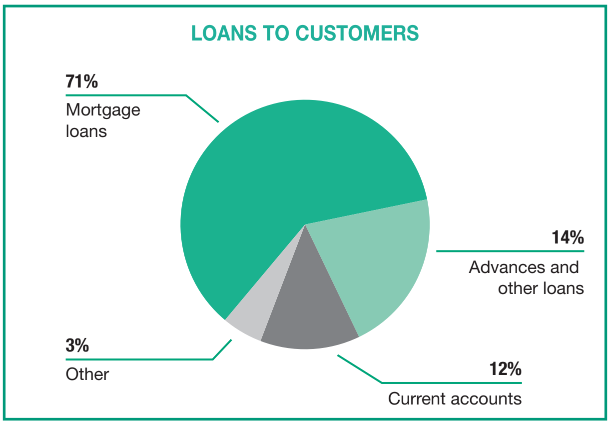
(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

Operations with customers

Also in 2012, Banca Popolare FriulAdria continued, in line with the Group's principles, to implement its development policy based on «traditional» operations: focus on asset management services to households and lending to enterprises and initiatives in the area of operations. In such a difficult situation as the present one, the Bank continued to focus on the real needs of households and businesses. Loans to customers, amounting €6,455 million, decreased by 0.6% in the year. Conversely, total funding came to €11,530 million, increasing by 0.7% from €11,451 million in the previous year. This performance was due to indirect funding.

Loans to Customers

Items	31.12.2012	31.12.2011	Changes	
			Amount	%
- Current accounts	836,150	911,001	-74,851	-8.2
- Mortgage loans	3,915,425	3,829,963	85,462	2.2
- Advances and other loans	1,362,225	1,454,725	-92,500	-6.4
- Impaired loans	326,039	295,498	30,542	10.3
Loans to customers	**6,439,839**	**6,491,187**	**-51,348**	**-0.8**



Loans to customers came to €6,439 million vs. €6,491 million in the previous year, decreasing by 0.8%. This was mainly due to the weakness of demand, associated to the decrease in investments and unfavourable outlook for businesses. Mortgage loans are the only loan form that increased (up by 2.2%), from €3,830 million in 2011 to €3,915 million as at 31 December 2012. This increase was also due to the new mortgage loan campaign, which was started in the first months of the year by the Cariparma Crédit Agricole Group. Credit lines on current accounts came to €836 million, decreasing by 8.2%, while advances came to €1,362 million, decreasing by 6.4%. The economic recession generated the increase in impaired loans, which came to €326 million, increasing by 10.3% from €295 million of December 2011.

Credit quality

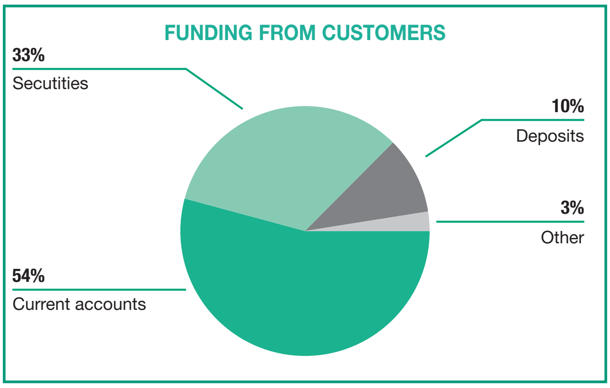
Items	31.12.2012 Gross exposure	31.12.2012 Total writedowns	31.12.2012 Net exposure	31.12.2011 Gross exposure	31.12.2011 Total writedowns	31.12.2011 Net exposure
- Bad debts	344,833	224,593	120,240	283,729	179,887	103,842
- Substandard loans	212,354	63,129	149,225	182,346	56,193	126,153
- Restructured loans	16,306	1,147	15,159	15,616	1,192	14,424
- Past-due / overlimit loans	42,677	1,262	41,415	51,713	635	51,078
Impaired loans	**616,170**	**290,131**	**326,039**	**533,404**	**237,907**	**295,497**
Performing loans	**6,140,012**	**26,212**	**6,113,800**	**6,224,344**	**28,654**	**6,195,690**
Total	**6,756,182**	**316,343**	**6,439,839**	**6,757,748**	**266,561**	**6,491,187**

Net impaired loans, amounting to €326.0 million, accounted for 5.1% of total net loans to Customers, vs. 4.6% in the previous year. The coverage ratio, the ratio of total writedowns to gross impaired loans, was 47.1%, slightly increasing vs. 2011. Net bad debts increased by €16.4 million (up by 15.8%), coming to €120.2 million, and accounted for 1.9% of net loans, vs. 1.6% in the previous year. The coverage ratio was 65.1%, increasing from 63.4% of the previous year. Net substandard positions came to €149.2 million, increasing by €23.1 million (up by 18.3%) vs. the previous year. The coverage ratio was 29.7%, vs. 30.8% of 2011. Net restructured loans came to €15.2 million, vs. €14.4 million in the previous year, and accounted for 0.2% of net exposures to Customers. Net past-due positions came to €41.4 million, decreasing from €51.1 of the previous year. In terms of weight, net past-due positions accounted for 0.6% of net loans, vs. 0.8% in 2011; the relevant coverage ratio was 3%, vs. 1.2% of the previous year. It is pointed out that the derogation granted by the Bank of Italy, pursuant to which past-due positions, regarding Italian counterparties, limited to certain regulated portfolios, were calculated using a timeframe of 180 days. Effective as from 1 January 2012, a limit of 90 days shall be applied for all regulated portfolios. Adjustments of performing loans came to €26.2 million, vs. €28.7 million in 2011; the coverage ratio was 0.4%, vs. 0.5% in the previous year.

Funding from customers

Items	31.12.2012	31.12.2011	Changes Amount	Changes %
- Deposits	591,138	287,382	303,756	
- Current and other accounts	3,195,090	3,894,226	-699,136	-18.0
- Other items	41,865	36,587	5,278	14.4
- Repurchase agreements	105,606	24,373	81,233	
Due to customers	**3,933,699**	**4,242,568**	**-308,869**	**-7.3**
Securities issued	**1,962,629**	**1,736,534**	**226,095**	**13.0**
Total direct funding	**5,896,328**	**5,979,102**	**-82,774**	**-1.4**
Indirect funding	**5,625,486**	**5,472,268**	**153,218**	**2.8**
Total funding	**11,521,814**	**11,451,370**	**70,444**	**0.6**

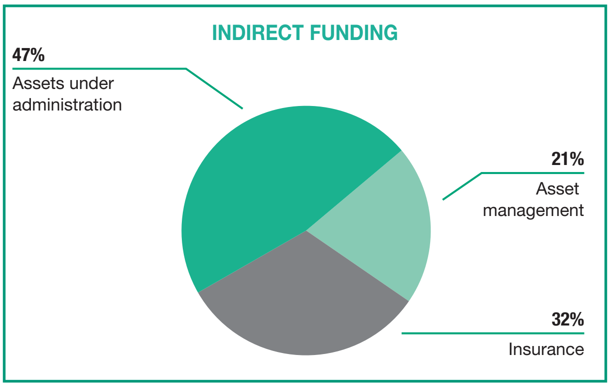
Direct funding came to €5,896 million, decreasing by €83 million (down by 1.4%) vs. the previous year. This was impacted by the liberalization decree issued by the Monti Cabinet, which entailed the treasuries of local authorities to be centralized into the State Treasury, as well as by the weight of new taxes (such as the property tax, Italian acronym: IMU) to be paid in June and December. Current accounts, which are savings forms entailing little ties, came to €3,195 million, decreasing by €699 million (down by 18,0%) due to the above effects, as well as to the policy implemented by the Bank aiming to transform funding in more stable forms. The search for stable funding can be seen in the general and substantial increase in maturity forms: deposits, outstanding securities and repurchase agreements. Deposits came to €591 million vs. €287 million in the previous year, increasing by €304 million driven by the "Crescideposito più" product, an investment form that, if the deposit is stable, gives increasing returns to the investor. Repurchase agreements increased from €24 million in 2011 to €106 million in 2012, up by €81 million. Outstanding securities increased by €226 million (specifically debenture loans and certificates of deposit) coming to €1,963 million vs. €1,737 million in the previous year. Search for stability is obvious in the breakdown by technical form of total funding, with an increase in maturity forms and a decrease in demand ones. Outstanding securities accounted for 33% of direct funding, vs. 29% in the previous year; deposits accounted for 10% of it, vs. 5% of 2011. Conversely, the percentage weight of funding current accounts decreased from 66% of 2011 to 54%.



Indirect funding

Items	31.12.2012	31.12.2011	Changes	
			Amount	%
- Asset management products	1,163,713	1,164,216	-503	-
- Insurance products	1,808,236	1,745,356	62,880	3.6
Total assets under management	**2,971,949**	**2,909,572**	**62,377**	**2.1**
Assets under administration	**2,653,537**	**2,562,696**	**90,841**	**3.5**
Indirect funding	**5,625,486**	**5,472,268**	**153,218**	**2.8**

Indirect funding, at market values, increased by €153 million (up by 2.8%) coming to €5,625 million. The increase covered all the different components and was more marked for insurance and assets under administration products. Insurance saving products came to €1.808 million, increasing by €63 million (up by 3.6%), substantiating Customers' appreciation of the difference insurance solutions supplied by the Crédit Agricole Group. In the year, the performance of assets under administration was similar, coming to €2,654 million and posting a €91 increase (up by 3.5%), also due to the certificates of Crédit Agricole Investment Bank and to the investment schemes of Amundi Asset Management. Asset management products came to €1,164 million, in line with the previous year.



Other investments

Financial assets available for sale

Items	31.12.2012	31.12.2011	Changes Amount	%
- Bonds and other debt securities	838,168	732,592	105,576	14.4
- Equity securities and units of collective investment undertakings	627	1,479	-852	-57.6
Securities available for sale	**838,795**	**734,071**	**104,724**	**14.3**
- Equity investments	35,789	35,789	-	-
Shareholdings available for sale	**35,789**	**35,789**	**-**	**-**
Financial assets available for sale	**874,584**	**769,860**	**104,724**	**13.6**

Available-for-sale financial assets amounted to €875 million, increasing by €105 million, that is, up by 13.6%, vs. the previous year. This amount was mainly accounted for by bonds and other debt securities, which came to €838 million, increasing by €106 million year-on-year, benefiting from the effects of measuring these securities at market price.

This item mainly consisted of Italian and French government securities. Equity securities referred to capital shares acquired in loan restructuring transactions with customers experiencing temporary financial difficulties. Finally, equity investments amounted to €36 million and were in line with the previous year.

Government securities

	31.12.2012		
	Nominal Value	Book value	Valution reserves
FVTPL			
Italian government bond	21	6	X
AFS			
Italian government bond	533,500	555,193	-29,871
French government bond	190,000	261,754	6,857
Total	**723,521**	**816,953**	**-23,014**

Equity investments

Items	31.12.2012	31.12.2011	Changes Amount	%
- Equity investments in controlled companies	-	-	-	-
- Equity investments in joint ventures	-	-	-	-
- Associates	5,350	5,667	-317	-5.6
Total	**5,350**	**5,667**	**-317**	**-5.6**

Equity investments amounted to €5.4 million, decreasing by €0.3 million vs. 2011, due to the impairment of the entire value of the equity investment in Glassfin Spa.

Property, plant and equipment and intangible assets

The Bank's technical investments amounted to €195 million, decreasing by €5 million (down by 2.5%) vs. the previous year. This change was due to depreciation for the period, whose volume includes, essentially offsetting them, investments made in the year. This item included operating property, plant and equipment, such as buildings, furniture, technological systems, as well as intangible assets consisting of goodwill and business with customers resulting from the acquisition of branches. As at the reporting date, in accordance with the international accounting standards, goodwill and intangible assets were tested for impairment, which confirmed that their values were consistent and, therefore, that no writedown was to be made.

Specific-purpose provisions

Items	31.12.2012	31.12.2011	Changes Amount	%
Employee severance benefits	27,229	25,618	1,611	6.3
Provisions for liabilities and contingencies	39,589	15,023	24,566	
- other provisions	39,589	15,023	24,566	
Total specific-purpose provisions	**66,818**	**40,641**	**26,177**	**64.4**

Specific-purpose provisions amounted to €67 million, increasing by €26 million (up by 64.4%) vs. the previous year. The provision for employees' severance benefits accounts for €27 million, vs. €26 million in the previous year. This change was essentially due to the actuarial measurement made in accordance with the international accounting standards, whose amount essentially offset the decreases for staff that terminated employment. Provisions for liabilities and contingencies referred to accruals for disputes with Customers and with the Bank as defendant, disputes with staff and lending-related disputes. Specifically, these provisions also include, for a residual amount of €25 million, the Solidarity Fund for voluntary redundancy in accordance with the agreements made with the Trade Unions in the year. The "Other provisions" item, amounting to €15 million in the previous year, came to €40 million in the reporting year.

Equity and Regulatory Capital

Equity

Items	31.12.2012	31.12.2011	Changes Amount	%
Share capital	120,689	120,689	-	-
Share premium reserve	471,757	471,757	-	-
Redeemable shares	-	-	-	-
Equty instruments	-	-	-	-
Income reserves	77,415	72,994	4,421	6.1
Other reserves	531	362	169	46.7
Valuation reserves of financial assets available for sale	-12,442	-68,683	-56,241	-81.9
Valuation reserves of actuarial gains (losses) pertaining to defined-benefit pension plans	-4,520	-2,005	2,515	125.4
Valuation reserves: Cash flow hedges	-	-	-	-
Valuation reserves: Other	-	-	-	-
Treasury Shares	-	-	-	-
Net profit (loss) for the period	18,948	44,041	-25,093	-57.0
Total equity	**672,378**	**639,155**	**33,223**	**5.2**

Including profits for the year, shareholders' equity came to €672 million, increasing by €33 million (up by +5.2%) from €638 million in 2011. The change in equity was mainly due to the decrease in the negative balance of valuation reserves for available-for-sale financial assets, which decreased from -€68.7 million of 2011 to -€12.4 million of 2012; this decrease was mainly due to the writeback of government securities held following the changes in the economic-financial situation.

As at 31 December 2012, the Bank portfolio did not include treasury shares or shares in the Controlling Company.

Regulatory Capital

Supervisory capital and capital ratios	31.12.2012	31.12.2011
Tier 1 Capital	536,767	527,248
Tier 2 Capital	176	2,650
Deductible elements	-	-
Supervisory capital	**536,943**	**529,898**
Credit Risk	416,348	412,176
Market risk	2,144	2,204
Operational risk	38,501	39,112
Other measurement elements (*)	114,248	
Capital requirements	**342,745**	**340,119**
Excess capital with respect to minimum requirements	**194,198**	**189,779**
Risk-weighted assets	**5,712,413**	**5,668,650**
Capital ratios %		
Core Tier 1 (a) / Risk-weighted assets (Core Tier 1 ratio)	9.4%	9.3%
Tier 1 Capital / Total risk-weighted assets	9.4%	9.3%
Total capital / Total risk-weighted assets	9.4%	9.4%

(*) Bank of Italy regulations allow banks belonging to Italian groups to reduce capital requirements by 25%.

Regulatory Capital consists of Tier 1 capital and Tier 2 capital. Tier 1 capital amounted to €537 million taking into account profit distribution. Regulatory Capital totalled €537 million.

In December 2012, risk-weighted assets came to €5,712 million, vs. €5,669 million in December 2011, increasing by €44 million (up by 0.8%). This increase mainly resulted from the increase in exposures to enterprises due to a decrease in loans backed by commercial property, as well as the increase in unsecured loans. Capital ratios came to 9.4% both for Tier one capital ratio and Tier total. Capital ratios have been determined using standardized methods for the calculation of assets weighted by credit risk and counterparty risk, as well as for the calculation of operational risks, in line with the approach used in the previous year.

The calculation of risk-weighted assets and capital ratios did not take into account the 25% reduction provided for under the relevant regulations for banks belonging to a group. Should this 25% reduction have been considered, the capital requirements would have been calculated on risk-weighted assets amounting to €4,284,302 thousand and, consequently, would have come to 12.5%.

Risk-weighted assets were determined considering total prudential requirements multiplied by the reciprocal of the minimum capital adequacy ratio, equal to 8%.

Corporate development lines

Retail and Private Banking channel

Individuals

In 2012, the service model was significantly reviewed and innovated. The new service model, which is considered as one of the levers for sustainable growth, has allowed business with Customers to be innovated through an approach designed for proactive management and to meet the Customers' requirements/needs. Business with Customers is based on an advanced advisory service, also thanks to the PFP (Personal Financial Planning) platform, through which optimized and customized financial advice on investments can be given based on each Customer's needs and risk profile.

Partnerships and initiatives

To provide Customers with solutions that are perfectly designed to meet their needs, a number of prize competitions and initiatives were launched, some directly by the Bank, such as "Porta un Amico" (bring a friend), "Chi fa da Self Fa per Tre" (self-done work amounts to the work of three), others in cooperation with commercial partners, such as Mastercard and Disney.

In 2012, the "Veneto Project" continued being implemented with the objective of increasing the Bank's market shares and of promoting the FriulAdria brand in the Region, by starting dedicated initiatives creating specific current account agreements and developing contacts with opinion leaders.

Market trends have shown that Customers are increasingly demanding multichannel interaction with their Bank. This is the concept behind the "Nowbanking in tour" initiative through which meetings were held at branches, specifically in Padua and Treviso; these meetings were designed to present the distinctive features of «Nowbanking Privati» (Nowbanking for Retail Customers) multichannel product directly to Customers.

These meetings were also an opportunity to interact and to exchange ideas with Customers, as well as to have them experiencing directly the Bank's Internet and mobile banking services on PCs, iPhones and iPads.

Support to customers

In January 2012, the "Più di prima" (more than ever) current account was activated, which is free of charge, reserved for pensioners and complying in advance with the provisions of Law No. 214 of 22 December 2011 - the so-called "Save Italy Decree" - which has provided for a "Conto di Base" (basic current account).

Throughout 2012, households experiencing difficulties were focused on and provided with strong support by means of the tools made available by the ABI/MEF «Piano Famiglie» (Plan for Households of the Italian Banking Association and the Italian Ministry of Economy and Finance) and by the «FriulAdria SiPuò» solutions (suspension of payment of mortgage loan instalments, advances on Special Wage Supplementation Fund, etc.).

Moreover, protocols were signed providing easy-term conditions to Customers based in the provinces of the Veneto Region hit by the earthquake that had its epicentre in the Emilia-Romagna Region.

Financial education

Also in 2012, FriulAdria confirmed its specific focus on young people joining the financial education project “Junior economic footprint”. This project is an educational programme, which was implemented in cooperation with Patti Chiari (a Consortium of banks, involving 161 banks, whose objective is to foster financial education and comparability of banking and financial services) and designed to introduce economic and financial topics to junior secondary school children stimulating them to reflect upon the main functions of finance. FriulAdria chose this way to use financial education as a vehicle to establish relations with all social parties (schools, public administrations, trade associations and other stakeholders) in the Bank’s reference community.

Loans and financing

Also in 2012, loans to purchase a home or to renovate it were one of the key products maintaining high volumes despite the decrease in the real estate business. Mortgage loans were promoted through an important communication campaign on the main media (radio, the Internet, magazines), and agreements were renewed with various partners in the credit intermediation sector, operating both online (MutuiOnline, MutuiSupermarket, Telemutuo) and through traditional channels (Auxilia, Mediofimaa, Kiron are the main ones).

SMALL BUSINESS

Partnerships and initiatives

A number of development projects were started in the agri-food chain, including: “Caseus Veneti” (Veneto Region cheese), Guides to Wines, both of the Friuli Venezia Giulia Region and the Veneto Region, the latter’s title is “Guida 300X100” and it is edited by the Italian Sommelier Association (AAIS), Veneto branch; some of these projects were carried out in cooperation with the protection consortia of some food and wine products typical of the Veneto Region (cheese, Prosecco, radicchio, specifically the Protection Consortium of the Red Radicchio of Treviso and Variegated Radicchio of Castelfranco), the Avepa protocol designed to advance the EU contributions to farms that have qualified for such funds.

The cooperation with Fondazione Nord Est continued and led to the first report on the agri-food sector “Cultivating growth. 2012 Report on agri-food industry and agriculture in North-Eastern Italy”.

In cooperation with the Group Agri-food Department, a workshop on agro-synergies was held in Padua with many qualified participants belonging to the agricultural sector.

In this regard, a new structure was set up within the Area Marketing Service, namely the Agri-food Development Office, which has been designed to enhance the action for the development and growth of the agri-food sector.

Proximity

Also for 2012, FriulAdria allocated credit lines for an amount of over €360 million to support the liquidity of small enterprises based in the Friuli Venezia Giulia and Veneto Regions. The sectors focused on were agriculture and craft trade, but large support was also given to commerce, industry and service sectors; concrete support to the economy of the area, which is based on a range of products designed to meet the main liquidity requirements in the medium-term: loans with monthly and/or quarterly amortization schedules and agriculture loans dedicated to the agri-food chain.

In 2012, the Office for No-Profit Bodies continued its activities aimed at consolidating long-standing relations in its traditional areas of operations and at developing, at the same time, relations in the newly acquired areas of operations.

In this regard, in 2012, the provision by our Bank of treasury/collection services for 19 bodies was confirmed, including the Cellina Meduna Reclamation Consortium. Finally, our Bank was awarded the contract for the provision of 15 new treasury/collection services, including the service to the Municipality of Gorizia, taking the total of customer bodies managed in 2012 to 135.

To meet the requirements of supplier of the public administration, agreements were signed with the local authorities, especially of the Veneto Region, referring to cash advances on the invoices issued by such suppliers to the local authorities.

Loans and leases

With regard to loans, the implemented measures focussed on both the maintenance of modest credit risk, by means of a proactive and anticipatory management of any problems, and on the development of new attractive business lines.

Meetings for training and study on leases were organized for Small Business Managers of the Distribution Network with the help of CALIT specialists, with the objective of comparing leases with other types of loans and at detecting lease specific features and advantages.

Different customer targets were selected, to whom leases at easy terms would be dedicated, with a specific focus on the car lease segment.

Given the difficult economic situation of enterprises in North-Eastern Italy, advisory services and promotion were successfully increased for subsidized loans and access to third party funds (FRIE, Veneto Sviluppo, etc.) working in synergy with Confidi (Italian mutual loan-guarantee consortia) and Local Bodies.

In 2012, FriulAdria increased operations in the agri-food chain, enhancing and developing this specific business segment.

Operations were developed with the priority of consolidating business with customers, and of increasing market shares in terms of new customers as well as of lending and funding.

Companies were selected based on internal ratings and in accordance with the Basel 2 parameters and had the already identified credit lines immediately available; in case of consortium guarantees covering at least 50% of the credit line, they could have a higher loan amount, thanks to the agreements in place with the main Confidi (Italian mutual loan-guarantee consortia) in the sector.

CUSTOMER SATISFACTION

In order to know the level of satisfaction relating to the services provided and to detect strong points and areas to be improved, since 2010 FriulAdria has adopted a system designed to listen to Customers.

Also in 2012, a Customer Satisfaction survey was carried out on Retail and Enterprises customers by an independent company specializing in market surveys, in order to understand Customers' expectations from the Bank.

The survey outcomes showed that the Group scored better than the market benchmarks, both in terms of image and service satisfaction. Our Customers perceive the Bank with trust and as an entity that is sound and listens to them. Relations with the relevant branch are an element significantly contributing to Customers' satisfaction. The staff's professionalism and Managers' proactivity are particularly appreciated.

NON-LIFE BANCASSURANCE

In order to spread an insurance culture, a close synergy continued with the product companies of the Non-life Bancassurance sector. In the year, the non-life insurance product range was completed with the launch of the new Accident Protection policy. This allowed an increase in the premiums of the non-life insurance portfolio and in the number of new insurance-sector customers. In this regard, the promotion initiative "Soci Premiati e Protetti" (Prizes and Protection for shareholders) is to be reported, through which many FriulAdria Shareholders could obtain easy terms for non-life insurance policies and, in the meanwhile, an interesting prize and to take part in the final draw for three super prizes. This initiative was short-listed for the Insurance Marketing Awards - an Excellence Award in the Insurance Marketing sector - and was awarded the Loyalty Program Merit Certificate.

Private Banking Channel

The significant volatility in stock and bond markets at a global level was caused first by the sovereign debt crisis in Europe and by the subsequent widening of the spreads between government bonds issued by EU peripheral countries and government bonds issued by EU core countries; later, it was worsened by combined growth of both share and bond assets. This volatility led Customers to opt more and more for low-risk, capital-guaranteed products (e.g. insurance products) and/or with short-term maturities.

In such a difficult market situation, in 2012 FriulAdria Private Banking segment performed well and posted an increase over 2011 in terms of:

- **Increase in Customers** (+4%) and in the **Number of Current Accounts** (+3%): the set targets were reached through actions for Customer acquisition and retention. Specifically:
  - **Synergies:** development of new Customers in cooperation with FriulAdria Enterprise/Corporate channels; exploiting inter-channel synergies, this cooperation (already tested in 2011) allowed the acquisition as Private Banking Customers for their personal accounts of entrepreneurs who were consolidated customers of the Enterprise and Corporate Channels and/or vice-versa . In addition to the acquisition of new Customers, the Channels could consolidate and strengthen the existing relations and business with Customers.
  - **Customer portfolio review:** transfer to the Private Banking Channel of Retail Customers having a Private Banking profile; this was made in cooperation with the Retail Channel (as done for all Group Banks) to improve the quality of Customer/Bank relations (ensuring the appropriate service level to high value-added Customers) and to mitigate possible risks of losing Customers with significant wealth.
- **Significant increase in Direct Funding** (+1%) due to the increases in Customers/Current Accounts and in assets under management (+9%), also due to the positive performance of the markets in the second half of the year;
- **Increase in total revenues** (+23%), with a significant increase in Net Income from Services (+40%), due to the positive performance of commission income for transactions (statements of accounts, transparency and e-money) as well as to profitable operations for the placing of core insurance products (Multi Selection) and structured bonds/Certificates.

Within the scope of the New Private Banking Organizational Model of the Group, the procedure to change the Private Banking organizational structure started also for FriulAdria, with resolution of the Board of Directors, focusing on the principles that informed the definition of the NMO (improving the service level to Customers, the Network's commercial effectiveness and control of compliance issues).

All these activities were backed by more and more specialized service model and product range. Specifically:

- specialized and exclusive **training courses** were provided to Private Banking Managers on tax topics, in addition to the regular mandatory refresher courses;
- cooperation was started with **CA Fiduciara** with the objective to widen the Group's product range;
- a cooperation agreement was signed by and between the Group and Orrick, Herrington & Sutcliffe Law Firm, a leading international law firm, to whom Private Banking Customers can be referred for qualified advice on legal and tax matters, inheritance, generational turnover, asset protection.

Enterprise and Corporate channels

A commercial and governance policy aimed at pursuing income balances and correct capital allocation allowed the Enterprise/Corporate Network to achieve good performances.

In the present recession situation, the commercial priorities for 2012 of the Enterprise/Corporate Channel were:

- the optimization of loans in order to mitigate credit risk and to absorb less capital by favouring investments with third parties' guarantees (Central Guarantee Fund, Sace Group), and/or targeted economic sectors (including for instance the Agri-food sector);
- an increase in funding through both new liquidity and intensifying already acquired commercial flows;
- Pricing management (application of loan price) consistently with the specific Customer's risk profile.

With regard to loans, in addition to the usual control on credit quality,specific actions were implemented which were designed for the development of the productive system segments that amount to the real corporate core business.

At the end of December 2012, the average volumes of loans to Customers were in line with the previous year. With regard to direct funding (up by 5.2%), short-term funding had a considerable weight (up by 6.3%), with total funding increasing by over 15% vs. the previous year.

As to income statement data, in 2012 revenues posted an appreciable increase, mainly due to the increase in net interest income, as well as to the increase in commission income (up by 16.6%). The well-established synergies with the leasing and factoring product companies led to a satisfactory commercial performance, with a significant increase in lending turnover.

Among other initiatives, the activation and use of agreements providing for medium-/long-term subsidized loans and/or with third parties' funding are to be pointed out, including agreements for EIB loans and granting of loans from the Funds of the Friuli Venezia Giulia and Veneto Regions. Among commercial initiatives, a partnership agreement was signed with the Italian Online Commodities Exchange in order to increase supply for the sector players through dedicated financing products and services that the Group has made available.

The Bank continued to enhance its agreements with the leading institutions, economic players and associations in its areas of operations, as well as to design commercial initiatives aimed at maintaining an effective support of credit.

In 2012, new Commercial Methods were adopted, which are specific for Enterprises/Corporate Managers and improves Customer management effectiveness.

The workforce

The Bank continued evolving in terms of organization, in line with the Parent Company's governance and development strategies. Specifically, the project for outsourcing back office activities started, the Non-performing Loan Service was set up in order to improve control of credit risk, the Distribution Network's functions relating to commercial control and development were strengthened and increased.

In terms of geographical coverage, in December a branch was opened in Verona, consistently with the Bank's geographical development strategy in the Veneto Region. Moreover, the integration of the 15 branches acquired in 2011 from Cassa di Risparmio del Veneto, which is part of the Intesa Sanpaolo Group, was completed. As at 31 December 2012, the organizational units of the Distribution Network were a total of 219, of which 204 Retail branches, 8 Enterprise Centres, 6 Private Banking Centres and 1 Corporate Area.

In addition to initiatives designed for the enhancement and development of staff, as well as for listening to and communicating with the staff, an action plan was launched aiming at controlling and reducing staff expenses, which had significant results. In this regard, also in the light of the impacts generated by the recent reform of the pension system, the banking sector Solidarity Fund was activated for the entire Cariparma Crédit Agricole Group, and, therefore, also for FriulAdria: this initiative was implemented by signing two agreements and defining a voluntary redundancy plan and with the Trade Unions' proactive and responsible cooperation; it will allow voluntary termination with incentives of staff that is already eligible for pension or will become eligible in the next few years: for FriulAdria, this will concern by the end of 2013 a total of 128 employees (of which 43 in 2012) for a total expenditure of €25.4 million.

As at 31 December 2012, the Bank staff consisted of 1,708 employees, with median age of 44.8, median seniority in service of 19.2 years; 41.1% of staff consisted of women. 99.8% of staff consist of employees with an indefinite employment contract, 32.7% of staff are university graduates and 24% of responsibility roles are held by women. Part-time staff accounted for 11.4% of total employees entitle to part-time arrangements.

In 2012, net of transfer of contracts, 31 recruitments and 69 termination of contracts were made.

30 employees of the Bank have been seconded to other Group Banks.

Focus on training was significant, with 7,724 training days provided in 2012 involving 94% of the Bank's employees. Investments were made both to improve effectiveness and proactiveness of resources and to provide staff with technical training, in compliance with the developments in legislation and with the obligations set by the Regulators.

In the year, the service level provided by the Group central departments, which is referred to as "Internal Customer Satisfaction", continued being measured on a six-month basis, thus allowing the achieved results to be monitored over time. As for the Parent Company, FriulAdria ranked well above the adequacy threshold.

The remuneration policy and guidelines for the Group are defined by the Parent Company Crédit Agricole with the aim of ensuring a common and coherent management at a global level; these were subsequently adopted by the Cariparma Crédit Agricole Group which, after having set them in relation to their own scope of reference, submitted them to the Board of Directors of each entity and thereafter to the individual Shareholders' Meetings for final approval.

With regard to safety and the environment, activities pursuant to Legislative Decree 81/2008 continued, with training on safety and elimination/reduction of the remaining risk factors.

For the 5th consecutive year, the Cariparma Crédit Agricole Group was awarded the Top Employers Italia quality mark, with a commendation of Excellent for the highest quality management of its Human Resources and its strategies for attracting, motivating and creating loyalty among talented staff.

In particular, the Group distinguished itself for its excellence in the spheres of Culture, Respect of Diversity and Social Sustainability.

Finance

The Cariparma Crédit Agricole Group focussed on three main guidelines with regard to the balance of its financial statement items:
- management of interest rate risk and proprietary securities portfolio;
- management of liquidity risk;
- Capital Management.

The objectives set by the Group for the management of interest rate risk, as in the past, concerned the choices on coverage of the exposure for the Group as a whole as well as individual Banks, exposure which was maintained at extremely contained levels.

As to liquidity, the tensions that characterized recent years partially abated, in particular in the last part of the year, even though cost of liquidity remained high, especially in the domestic market. Close cooperation with the distribution staff continued pursuing the double objective of preserving the cost of funding without penalizing a virtuous growth of total funding.

Capital management focused its operations on optimization of risk-weighted assets and on estimating “second pillar” risks, as well as on implementation of regulatory provisions relating to Basel 3 requirements, and as for counterparty risks (so-called Credit Valuation Adjustment).

Risk management

Objectives and policies on risk taking, management and hedging

1. Objectives and policies

The Cariparma Crédit Agricole Group attaches great relevance to risk measurement, management and control, as an essential condition to ensure sustainable growth, in such a complex economic situation as the present one.

In compliance with the guidelines issued by the Parent Company Cariparma, the Bank defines control areas and activities designed to ensure effective and efficient management of risks, keeping into consideration the specific features of its area of operations and of its Customers.

The principles on which risk management and control are based are the following:
- clear identification of the responsibilities of risk taking;
- measurement and control systems in line with the international in line with the best solutions adopted at an international level;
- organization segregation between management functions and control functions.

Control areas on the different types of risks (credit, operational, liquidity risks, etc.) have been created within the single Banks or centralized at the Parent Company.

As a rule, the Cariparma Crédit Agricole Group annually updates the Group Risk Strategy, which sets the risk levels (credit, financial, market and operational risks) which the Group deems adequate to its development strategy. This Strategy, submitted for approval to the Risk Committee of Crédit Agricole S.A., provides for global ceilings (or alert thresholds) to be defined, suitably integrated with operational ceilings set for each single Group entity. This Strategy is approved by the Boards of Directors of the Parent Company and of the Bank.

Moreover, risk management is ensured also by specific Committees, including:
- the Group Internal Control Committee, which coordinates departments having control functions (Audit, Compliance, Risks and Permanent Controls), as well as the combination of internal control bodies, in compliance with the procedures adopted by C.A.sa. at Group level;
- the Credit Risk Committee, which performs analyses and measurements, steers the risk strategy in the management and monitoring of global and operating lending ceilings;
- the Group ALM and Financial Risk Committee, which is engaged in monitoring and control of all issues relating to financial risks (market, liquidity, interest rate, exchange rate and counterparty for market transactions);
- the Group Operational Risks Committee, which approves guidelines and action plans on operational risks (except Compliance), monitors control outcomes and activities and governs Continuity of Operations for the Group:
- the Group Compliance Committee, which analyses the present status of the relevant legislation and makes proposals for any correction measures.

Departments with control functions, based on their responsibilities, take part also in other management Committees, including the Group New Assets and Products Committee (NAP), the Group Investment Committee, the Credit Committee, Credit Monitoring Committee.

2. Risk management and hedging

Credit Risk

The lending process (strategies, powers, loan-granting and management rules) of the Bank and of the Cariparma Crédit Agricole Group is performed consistently with the guidelines issued by the Parent Company Crédit Agricole S.A and focuses on:
- the achievement of objectives that are sustainable and consistent with the Group's risk appetite and value creation, ensuring and improving the quality of lending operations;
- portfolio diversification, limiting the concentration of exposures to counterparties/groups, economic activity sectors or geographical areas;
- efficient selection of economic groups and single credit line grantees, through an accurate creditworthiness analysis designed to limit insolvency risk;
- favouring, in the present economic situation, lending operations that support the real economy and the production system, and that can develop business with Customers;
- constant control of accounts and relating exposures, made both with IT procedures and with systematic monitoring of all positions showing any irregularities, in order to promptly detect any signs of impairment.

The process is divided into the following phases:
- definition of risk management criteria;
- identification of the activities to be implemented for a correct application of such criteria;
- identification of the units responsible for the performance of the above activities and of the procedures supporting the same activities.

The subdivision into phases and the assignment of tasks to the different organizational structures are made focussing on the process operativeness, that is to say its fitness to achieve the set objectives (effectiveness) and its ability to achieve then at consistent costs (efficiency).

In its Risk Strategy, the Cariparma Crédit Agricole Group has reaffirmed controlled growth as its priority objective, which, in the present economic situation, is to be:
- focused on the lest risky customer segments;
- designed to maintain lending and funding balanced and to mitigate the cost of credit risk.

The constant monitoring of the loan portfolio quality is performed by adopting precise operating procedures in all phases of the loan position management, in order to achieve a preventive management of default risk. Problem and impaired loans are subject to specific management processes, which entail accurate monitoring via a preset control system based on early-warning indicators. These indicators allow prompt management of positions as soon as any irregularities arise, and they interact with the processes and procedures for loans management and control.

The organization structure, procedures and tools, on which the management of problem exposures is based, ensure that the initiatives and measures to restore performing status are promptly taken, or swift recovery actions, if the account conditions prevent its continuation. With specific reference to the activities carried out to ensure effective risk mitigation, funding and the subsequent guarantee management were especially focused on, in particular regarding value updating.

The following are some of the most significant measures designed to enhance loans management and monitoring, which were implemented in 2012:
- review of the lending policies that govern the procedures through which the Bank intends to take and manage credit risk, with the objective of increasing selectivity of the granting procedure, fostering a balanced growth of loans to worthy customers and of controlling and re-qualifying exposures to risky customers. Lending policies are based on risk aversion logics (sector, technical form risks), defined at Group level and adjusted to the individual entities;
- definition of ceilings, referring to both risk concentration and loan granting, which have been designed based on the different sector risks (e.g: real estate, agri-food sectors, etc.) and on the different customer segment risks;
- effective management of the loan portfolio, also by improving the effectiveness of the relating processes, including recovery of sensitive or impaired exposures;
- setting up the Non-performing loan Service with the objective of enhancing control in terms of monitoring of non-performing loans and of management of impaired loans;
- review of accrual policies on impaired loans.

The Bank uses a large number of tools for measurement and management of credit risks, which can ensure detailed control of the quality of its loan portfolio.

To measure credit risk, the Bank uses different internal rating models for each business segment and type of counterparty: Retail, Small Business, Enterprises and Corporate. These models yield a score which summarizes the counterparty's creditworthiness in a rating, which reflects the probability of default over one-year time horizon.

After the loan has been granted and disbursed, the position is reviewed on a time basis (at regular intervals or some other set schedule) or in response to an alert from/initiative of dedicated structures (for example, loan monitoring structures). Review of credit lines is performed by assessing:
- that the counterparty and the counterparty's sureties remain solvent;
- continuing compliance of the guarantees (legal certainty, ease of liquidation and the consistency of their value with the size of the exposure);
- compliance with concentration ceilings and control of the updating of the information stores in the databases and of the causes that led to any change in the counterparty's risk profile.

In 2012, at Group level, particular care was taken to widen the monitoring tools system, in order to better set the Group's risk appetite and to provide a periodical representation of risk performance. Specifically, the development of Key Risk Indicators continued, which are designed to monitor also:
- performance of the single distribution channels, in terms of investment grade exposures, non-investment grade exposures, with sensitive ratings or serious early-warning indicators, as well as in terms of impaired exposures;
- the quality of the Retail portfolio in terms of average PD, both on new credit lines and on renewed ones, as well as on stocks, differentiated by product sector or Territorial Department;
- positioning of Territorial Departments in terms of the average PD of their portfolios and of the cost of credit already recognized (SRI: Synthetic Risk Indicator);
- home loans production with regard to contract duration, LTV (Loan To Value), ratio of instalment to income and age of the borrower.

Interest Rate risk and Price risk of the Banking Book

Asset Liability Management refers to the positions in the banking book and focuses mainly on fixed-rate positions and liquidity. The banking book includes typical positions of banking business operations, which are lending and funding without trading objectives. Interest rate risk, therefore, refers to all on-balance-sheet and off-balance-sheet transactions, excluding the supervisory trading book

The governance model adopted by the Cariparma Crédit Agricole Group delegated the management of interest rate risk to the Financial Management Department of Cariparma, which is responsible for centralized risk management for the entire Italian banking group, on the basis of the guidelines set out by the Controlling Company Crédit Agricole S.A. The Risk and Permanent Controls Department of the Parent Company is responsible for an independent control of the interest rate risk management system, by assessing its compliance with the risk measurement model defined with management and regulatory requirements.

Global ceilings on the portfolio price risk have been defined based on the type of instruments that may be held (government securities issued by the following States: Italy, Germany, France), and are expresses with reference to the maximum nominal value that may be held. Within the portfolio, sub-ceilings of concentration on the three issuing countries are also set.

The Group has adopted a stress testing method to be used on the prices of the segment assets, establishing a system of warning thresholds.

In compliance with the guidelines issued by the Crédit Agricole S.A. Group and with the prudential regulations, the classification of interest rate risk is generally reviewed annually within the Group's Risk Strategy and is submitted for approval to the Group Risk Committee of Crédit Agricole S.A. and to the Boards of Directors of the Parent Company and of the Bank.

Liquidity risk

Liquidity risk, both short- and medium-/long-term, for a bank is the risk that it may become difficult or impossible to meet promptly and economically its payment obligations, due to the impossibility of both raising funds on the market (funding liquidity risk) and of liquidating its assets (market liquidity risk).

In 2012, the Cariparma Crédit Agricole Group progressively upgraded and updated its system for the monitoring of liquidity risk, by fine-tuning its management system, measurement system, ceiling structure, early-warning system, contingency funding plan procedures and control system.

The governance model adopted by the Cariparma Crédit Agricole Group assigns the management of liquidity risk to the Financial Management Department (DGF) of Cariparma, which is responsible for centralized risk management for the entire Italian banking group, on the basis of the guidelines set by the Crédit Agricole S.A. Group. The Risks and Permanent Controls Department of Cariparma is responsible for liquidity risk monitoring, again in compliance with the guidelines set by the Crédit Agricole S.A. Group.

The management of short-term liquidity, which concerns the management of events impacting on the Cariparma Crédit Agricole Group's liquidity position over a time horizon of between over-night and 12 months, has the primary purpose to sustain the Group's ability to meet ordinary and extraordinary payment obligations and minimize the associated costs.

The ceiling system is based on stress scenarios, with the purpose of ensuring a liquidity surplus on different time horizons and in increasingly serious scenarios. The stress assumption used cover idiosyncratic crises, systemic crises and global crises. The ceiling structure is completed by a set of management and early warning indicators which allow detection of, for instance, the availability performance of reserves that can be immediately liquidated, or any recourse to auctions made by the Central Bank.

Market risk of the Trading Book

Market risk is generated by the positions held by the Bank in the supervisory trading book.

The Bank does not engage in significant trading on own account in financial and capital markets. Nevertheless, it has positions deriving from its placement and trading activities made on behalf of Customers.

The Bank operates in the sale of "over the counter" (OTC) derivative products to the different customer segments, with a specialist team supporting the intermediation activities. Intermediated derivatives are hedged back-to-back in order to be immunized from market risk. In 2012, CSA (credit support annex) agreements were signed with the main market counterparties, in order to mitigate total exposure.

The Bank supports customers who use derivative instruments for their purposes, which are mostly hedging of interest rate risk (retail and enterprises mortgage loans) and exchange rate risk (enterprises).

In compliance with the guidelines issued by the Crédit Agricole S.A. Group and with the prudential regulations, the classification of interest rate risk is generally reviewed annually within the Group's Risk Strategy and is submitted for approval to the Group Risk Committee of Crédit Agricole S.A. and to the Boards of Directors of the Parent Company and of the Bank.

Operational risks

The Group uses the definition of operational risk envisaged in the Basel 2 International Convergence of Capital Measurement and Capital Standards, prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events".

This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, sanctions or penalties resulting from actions taken by the Supervisory Body, as well as private settlements.

To consolidate and enhance control of operational risk, in agreement with the Group, the Bank has pursued:
- full ongoing compliance with regulatory requirements for the use of the Traditional Standardized Approach (TSA) for the calculation of regulatory capital as provided for by Basel 2;
- such a monitoring of risks and losses so as to allow a more management-oriented approach, especially in terms of risk mitigation and prevention initiatives;
- the progressive fine-tuning of the permanent controls system extended to the entire corporate perimeter;
- compliance with the regulatory requirements for the use of Advanced Measurement Approaches (AMA) for the calculation of the Regulatory Capital.

The Bank's Risks and Permanent Controls Service is the reference department in the management of operational risks and has the task to guarantee the existence, completeness and pertinence of the permanent controls in being in the Group through the implementation of a control plan and its traceability. The main objective is to provide the Senior Management and the Board of Directors with adequate reporting on the controls made and the results obtained within risk mitigation.

Correct and effective risk management requires that all corporate structures be involved, being aware of the risk issues associated to the various corporate processes. Within permanent controls and operational risk management, both specific control roles within corporate departments and devices that are functional to the pre-set objectives, respectively, are operational:
- Operational Risks Managers; these roles have the task of reporting the presence of any actual and potential risks in the various corporate structures and of coordinating the performance of permanent controls;
- Area Operating Units, located at the Distribution Network facilities, with the task of performing permanent controls of 2nd degree 1st level;
- mechanisms and tools, functional to the proper control of risks and to the management of mitigation/improvement measures, including:
- the Interfunctional Unit for the Provision of Outsourced Essential Services (Italian acronym: PSEE), having the task of monitoring and decide on any problems relating to outsourcing of functions defined as "essential or important" in accordance with the Supervisory regulations;
- the remote controls system for the Distribution Network, with the summary early warning indicators, aimed at detecting any out-of-standard situations;
- Improvement Meetings, meetings with the branches that have experienced problems in the outcome of permanent controls, audit inspections and other assessments, where, with the Area Management, the issues found are analysed and an action plan for improvement is prepared.

Group corporate functions, in which the Bank's structures that are directly concerned take part:
- Security Control and Continuity of Operations Plan (Italian acronym: PCO), having the task of coordinating and monitoring measures regarding problems of security (both physical and IT) and relating to the Continuity of Operations Plan, and the Business Continuity Manager (who is in charge of the PCO;
- Head of IT Systems Security (Italian acronym: RSSI), having the task of monitoring and governing all aspects relating to IT security, from the relevant policy to risk analysis and action plans;
- Fraud Prevention Unit (Italian acronym: NAF), having the task of monitoring and decide on fraud-relating problems;

For certain activities and for efficiency and effectiveness purposes, the Bank procures from external providers; in these cases, the outsourced services are governed by a specific contract, which, in addition to regulating the provision of the service, provides for a control system targeted on the qualitative and quantitative levels set.

3. Internal Control System

The Cariparma Crédit Agricole Group has progressively upgraded its internal control system to the model adopted by the Parent Company Crédit Agricole S.A., developing it in compliance with the French legislation (to which CAsa is subject) and with the Italian legislation.

In compliance with the corporate law and with the supervisory provisions issued by the Bank of Italy, implementing the guidelines issued by Crédit Agricole S.A. and the resolutions of the Board of Directors, the Bank uses an internal controls system, which has been structured and consolidated for five years now, aiming at a constant control of operational risks and at the adequacy of the control activities to the organization. In this regard, one of the most significant measures implemented at Group level is the "Process and controls" project, which has been designed to map all corporate processes and to identify the associate risks.

This Internal Control System involves the Collective Bodies, the Control departments, the Supervisory Body, the Independent Auditors and Senior Management, as well as of all corporate structures.

The analysis and monitoring of operational risk are carried out based on Group taxonomic indications, envisaging verification of compliance with the terms provided for by the legislation, reliability of processes and of their performance, security, conformity, as well as application of best practices for controls.

The controls system consists of the following:
- Permanent Control, consisting of controls of:
- 1st degree, carried out continuously, upon a transaction beginning and during its validation process, by the same operators, the persons they report to or carried out by automated systems for transaction processing; the activities for the production of accounting data and preparation of the Financial Statement undergo specific first degree control carried out within the accounting units;

- 2nd degree/level 1 (2.1), carried out by staff having operating tasks, but not directly involved in the decisions on the transaction under examination; in particular within the central administration structures the monitoring controls are performed on all departments having access to the accounting IT system;
- 2nd degree/level 2 (2.2), carried out by staff specializing in last-level permanent controls and unauthorised to risk assumption, that is to say Compliance department and Risks and Permanent Controls department; the Parent Company's Manager in Charge is assigned specific control responsibilities on the Consolidated Financial Statements.
- Periodic control, consisting of a 3rd degree control, carried out by the Audit Department periodically through inspections on site and document checks.

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

A constant adjustment of the regulatory system is pursued, which, in addition to adjustment to the existing regulations, also entails enhancement of the coverage through specific policies valid for the entire Group.

The departments engaged in 2nd degree/level 2 and in 3rd degree control report directly to the Board of Directors on the activities performed, on the main risks detected, on the identification and construction of mitigation tools, as well as on their application effects.

Activities of the Validation Unit

The Validation Unit is provided for by the New Provisions for Prudential Supervision of banks issued by the Bank of Italy with Circular No. 263 of 27 December 2006 and has also the task of assessing:
- the process for the development of the risk measurement systems,
- maintenance of their proper operation over time,
- that the defined systems are actually used in the different management scopes.

For Banks intending to use internal methods for risk measurement, the final objective of the Validation Unit is to provide the Corporate Bodies with specific references for the formal resolution certifying compliance with the requirements set for the use of such methods, also for regulatory purposes; these references shall be provided at least annually.

Within Carispezia, the Validation Unit is not in place, since this function is assigned to the Parent Company.

The Parent Company's Validation Unit, which has been operating since 2010, is part of the Risks and Permanent Controls Department, but its independent assessment is ensured also by the verification actions carried out by the third-level control function.

The Validation Unit activities are regulated by a Policy approved in 2012 with specific resolutions of the Boards of Directors. This policy defines/sets forth:
- the principles which the validation activity is bases on;
- the players and phases of the process;
- the minimum documentation set to be periodically produced;
- where possible, the reference quantitative parameters for verifications.

Validation analyses are periodically submitted to the impacted corporate functions for their remarks and for the definition, where appropriate, of corrective measures for the implementation of new approaches.

Outlook

Overview

The recession phase, which started in the third quarter of 2011 and continued throughout 2012, is forecast to generate repercussions also on 2013, causing the GDP to decrease by -0.6% y/y. The recovery in Italian economy will heavily depend on the extent to which the improvement in financial markets' confidence will be able to accelerate the end of recession.

The outlook for growth is still conditioned by weak domestic demand; however, assuming gradual growth of orders from abroad and relaxation of financial restrictions, recession is forecast to end in the second half of 2013. The turning point in economic activity is forecast to be fostered by productive investments returning to grow, after decreasing for seven consecutive quarters.

Total investments, even though decreasing in terms of annual average (down by -2.6% y/y), are forecast to return to growth in the final part of 2013 due to a recovery in the machinery and equipment component. On the other hand, household spending is expected to continue being limited by the disposable income, which is impacted by public finance adjustment measures adopted in the second half of 2011. Household spending is forecast to decrease by -1.5% y/y. Due to the worsening outlook for employment and to uncertainty on recovery timeframes and extent, households are expected to have a cautious attitude in making spending decisions. The main positive contribution to growth is expected to come from exports (up +2.1% y/y), with a more significant increase in the component of exports to non-Eurozone countries.

In 2013, inflation is expected to decrease to 2%, and the increase in VAT ordinary rate expected for July 2013 should be offset by the expected favourable performance of energy prices and by wage moderation.

The uncertainty in the outlook for growth of the Italian economy is very high. The higher risks of fall are associated to the performance of domestic demand and to credit conditions. Despite the substantial improvement of the situation of financial markets, the impairment of the quality of bank loan portfolio could have repercussions on credit cost and availability, thus generating negative effects on real economy.

Forecasts for the Italian Banking System for 2013 are as follows:
- a limited increase in loans (up by 1.1%) and in funding (up by 1.6%);
- a modest widening in the spread (up by 2.0%) due to the high cost of funding (which is the critical factor for the sector profitability) ;
- an increase in net commission income, which will be generated by the Banking channel's increased focus on the placement of indirect funding instruments and insurance products;
- adjustments of loans, which are expected to remain high and to slightly decrease only starting from 2014.

In this situation, a key driver for profitability recovery will consist in actions for the control and rationalization of operating expenses, by making changes to the existing business models, reviewing and optimizing operations in the reference areas and increasing the use of technology.

Significant events occurred after the reporting period

For Banca Popolare FriulAdria, from the end of 2012 to the date of approval of this report, no events occurred such as to significantly affect the bank's structure.

The outcomes of the inspection started by the Bank of Italy on 7 January 2013 on the Group banks were included in these Annual Report and Consolidated Financial Statements.

Research and Development

No research and development activities were performed in the year.

Risks and uncertainties

The Note to the Financial Statements includes a detailed exam of the risks and uncertainties to which the Bank is exposed and, at the same time, reports the mitigation techniques implemented for such risks and uncertainties; this substantiates that the Bank's Management is fully aware of the importance of a thorough analysis of risks and uncertainties to which the Bank's capital, financial position and performance are exposed, as well as of the importance of effective management of the same risks and uncertainties to take them to acceptable levels, in order to pursue development and sustainable growth that are essential for profitable continuity of operations.

Relations with Group companies

The Parent Company, Cariparma, has functions of strategic management, guidance and governance, as well as service functions, that is to say of direct and indirect support to the business. To pursue economies of scales for the whole Group, Cariparma has identified FriulAdria as the company able to carry out certain support/service activities for the Group.

Since mutual expedience and interest profiles exist, also as compensation, the relations with the Parent Company are governed by specific service agreements, in line with the international accounting standards and tax provisions, ensuring protection of minority shareholders and combining effectiveness and efficiency of the synergic governance of intra-group relations.

Service provisions are regulated by Agreements called “Service Level Agreement (SLA)”, defining the general principles and regulating the provisions of services and the consequent payments. All relations have been assessed also with regard to potential conflict of interests. The prices set for the transactions were calculated based on the cost borne by the Parent Company for the resources used and the ancillary costs and, however, on an arm’s length basis considering the range, nature, timeliness and the quality of the services globally provided.

The Bank also has cooperation relations with Crédit Agricole product companies in the segments of insurance, asset management, specialized financial services and finance and investment banking.

The qualitative and quantitative analysis of transactions made in the year with parties that meet the definition as related party pursuant to the “Regulation for Risk Assets and Conflicts of Interest towards Related Parties for the Companies in the Cariparma Crédit Agricole Group”, which was adopted by the Group in December 2012, is reported in Part H of the Note to the Financial Statements, to which reference is made.

During the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized the protection of corporate assets and the interests of minority shareholders.

Proposal to the General Shareholders' Meeting

Dear Shareholders,

The Annual Report and Financial Statements for the year started on 1 January and ended on 31 December 2011, which is hereby submitted to this Shareholders' Meeting for approval, consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, the note to the financial statements and annexes, as well as the accompanying management report.

The proposed allocation of net profit in the amount of Euro 18,948,475 is as follows:

to the provision for charity and support of social and cultural projects	800,000
to shareholders in an amount of €0.75 for 24,137,857 ordinary shares effective as from 1 Jan. 2012	18,103,393
to extraordinary reserve	45,082

Based on this allocation of the net profit for the year, the Company's equity, including income components allocated to the valuation reserves in accordance with the IAS/IFRSs, would be as follows:

Share capital	120,689,285
Share premium reserve	471,757,296
Ordinary reserve	24,137,857
Extraordinary reserve	53,302,556
Valuation Reserves	(16,961,784)
Reserve pursuant to Legislative Decree 124/83	19,849
Other reserves	531,227
Total capital and reserves	653,476,286

In accordance with the law, the dividend payment is proposed effective as from 30 April 2013 with ex-coupon date on 24 April 2013.

Pordenone, Italy, 14 March 2013

The Chairperson of the Board of Directors

Antonio Scardaccio

Financial Statements

» BALANCE SHEET

Assets		31.12.2012	31.12.2011 (*)
10.	Cash and cash equivalents	57,232,077	54,671,259
20.	Financial assets held for trading	42,643,765	64,736,709
30.	Financial assets carried at fair value	-	-
40.	Financial assets available for sale	874,583,733	769,860,487
50.	Financial assets held to maturity	-	-
60.	Loans to banks	570,373,541	356,536,052
70.	Loans to Customers	6,439,838,719	6,491,186,842
80.	Hedging derivatives	164,562,223	88,140,461
90.	Value adjustment of financial assets subject to macro hedging (+/-)	1,614,640	1,084,238
100.	Equity investments	5,350,000	5,666,620
110.	Property, plant and equipment	64,108,597	66,847,945
120.	Intangible Assets	131,170,846	133,386,021
	of which: goodwill	*106,075,104*	*106,075,104*
130.	Tax assets	139,678,913	134,465,718
	(a) current	57,809,307	45,245,298
	(b) deferred	81,869,606	89,220,420
	b1) of which: Law 214/2011	53,332,261	45,041,179
140.	Non-current assets or groups of assets being divested	-	-
150.	Other assets	124,077,189	154,519,665
TOTAL ASSETS		**8,615,234,243**	**8,321,102,017**

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

Liabilities and shareholders' equity		31.12.2012	31.12.2011 (*)
10.	Due to banks	1,428,185,796	1,269,156,452
20.	Due to customers	3,933,699,196	4,242,567,525
30.	Securities issued	1,962,628,902	1,736,534,346
40.	Financial liabilities held for trading	23,602,250	39,544,193
50.	Financial liabilities carried at fair value	-	-
60.	Hedging derivatives	83,305,089	51,284,544
70.	Adjustment of financial liabilities hedged generically (+/-)	116,223,442	59,308,849
80.	Tax liabilities	48,340,894	45,319,859
	(a) current	38,675,626	34,700,855
	(b) deferred	9,665,268	10,619,004
90.	Liabilities in respect of assets being divested	-	-
100.	Other liabilities	280,050,776	197,588,603
110.	Employee severance benefits	27,229,100	25,617,721
120.	Provisions for liabilities and contingencies	39,589,120	15,023,450
	a) retirement and similar liabilities	-	-
	(b) other provisions	39,589,120	15,023,450
130.	Valuation reserves	-16,961,784	-70,687,900
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	77,946,406	73,356,430
170.	Share premium reserve	471,757,296	471,757,296
180.	Share capital	120,689,285	120,689,285
190.	Treasury shares (-)	-	-
200.	Net profit (loss) for the period	18,948,475	44,041,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,615,234,243**	**8,321,102,017**

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

» INCOME STATEMENT

Items		31.12.2012	31.12.2011
10.	Interest income and similar revenues	268,022,709	268,188,007
20.	Interest expense and similar charges	(89,606,152)	(83,506,638)
30.	**Net interest income**	**178,416,557**	**184,681,369**
40.	Commission income	118,109,236	107,544,154
50.	Commission expense	(3,985,958)	(4,968,021)
60.	**Net commission income**	**114,123,278**	**102,576,133**
70.	Dividends and similar revenues	380,678	297,891
80.	Net gain (loss) on financial activities	3,801,140	6,345,078
90.	Net gain (loss) on hedging activities	2,087,795	(609,709)
100.	Gain (loss) on the disposal or repurchase of:	(62,953)	2,807,085
	a) loans	-	-
	b) financial assets available for sale	151,690	2,760,266
	c) financial assets held to maturity	-	-
	d) financial liabilities	(214,643)	46,819
110.	Net gain (loss) on financial assets and liabilities carried at fair value	-	-
120.	**Gross income**	**298,746,495**	**296,097,847**
130.	Net impairment adjustments of:	(51,567,229)	(32,323,141)
	a) loans	(50,815,991)	(33,524,513)
	b) financial assets available for sale	(709,902)	(1,653,975)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(41,336)	2,855,347
140.	**Profit (loss) from financial operations**	**247,179,266**	**263,774,706**
150.	Administrative expenses:	(248,431,279)	(221,119,887)
	a) staff expenses	(137,515,315)	(110,663,594)
	b) other administrative expenses	(110,915,964)	(110,456,293)
160.	Net provisions for liabilities and contingencies	(3,328,899)	(892,589)
170.	Net adjustments of property, plant and equipment	(5,318,131)	(5,286,153)
180.	Net adjustments of intangible assets	(2,215,175)	(1,800,344)
190.	Other operating revenues (expenses)	36,996,852	35,758,227
200.	**Operating expenses**	**(222,296,632)**	**(193,340,746)**
210.	Gain (loss) from equity investments	(316,620)	-
220.	Net gains (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
230.	Value adjustments of goodwill	-	-
240.	Gain (loss) on disposal of investments	22,614	200
250.	**Gain (loss) before tax on continuing operations**	**24,588,628**	**70,434,160**
260.	Income tax for the period on continuing operations	(5,640,153)	(26,392,796)
270.	**Profit (loss) after tax on continuing operations**	**18,948,475**	**44,041,364**
280.	Profit (loss) after tax of groups of assets/liabilities under disposal	-	-
290.	**NET PROFIT (LOSS) FOR THE PERIOD**	**18,948,475**	**44,041,364**

» STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2012	31.12.2011
10.	**Profit (loss) for the period**	**18,948,475**	**44,041,364**
	Other income after tax	-	-
20.	Financial assets available for sale	56,241,251	(66,592,784)
30.	Property, plant and equipment	-	-
40.	Intangible assets	-	-
50.	Hedging of foreign investments	-	-
60.	Cash flow hedges	-	(234,384)
70.	Exchange rate differences	-	-
80.	Disposal groups	-	-
90.	Actuarial gains (losses) on defined-benefit plans	(2,515,135)	(1,945,022)
100.	Share of Valuation Reserves on equity investments accounted for using the equity method	-	-
110.	**Total other income components after tax**	**53,726,116**	**(68,772,190)**
120.	**COMPREHENSIVE INCOME (ITEM 10+110)**	**72,674,591**	**(24,730,826)**

» STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2012

	Share capital: ordinary shares	Share premium reserve	Reserves: income	Reserves: other	Valuation reserves	Net profit (loss) for the period	Equity
Equity at 31.12.2011	**120,689,285**	**471,757,296**	**72,994,386**	**362,044**	**-70,687,900**	**44,041,364**	**639,156,475**
Allocation of net profit for previous period							
Reserves	-	-	4,420,793	-	-	-4,420,793	-
Dividends and ather allocation	-	-	-	-	-	-39,620,571	-39,620,571
Changes for the period							
Change in reserves	-	-	-	-	-	-	-
Equity transactions							-
New issues	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-
Treasury share derivatives	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company granted to employees and directors	-	-	-	169,183	-	-	169,183
Comprehensive income	-	-	-	-	53,726,116	18,948,475	72,674,591
Equity at 31.12.2012	**120,689,285**	**471,757,296**	**77,415,179**	**531,227**	**-16,961,784**	**18,948,475**	**672,379,678**

» STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2011

	Share capital: ordinary share	Share premium reserve	Reserves: income	Reserves: other	Valuation reserves	Net profit (loss) for the period	Equity
Equity at 31.12.2010	**114,582,885**	**409,901,589**	**67,264,232**	**333,846**	**-1,915,710**	**48,179,993**	**638,346,835**
Allocation of net profit for previous period							
Reserves	-	-	5,730,154	-	-	-5,730,154	-
Dividends and ather allocation	-	-	-	-	-	-42,449,839	-42,449,839
Changes for the period							
Change in reserves	-	-	-	-	-	-	-
Equity transactions							-
New issues	6,106,400	61,855,707	-	-	-	-	67,962,107
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-
Treasury share derivatives	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company	-	-	-	28,198	-	-	28,198
Comprehensive income	-	-	-	-	-68,772,190	44,041,364	-24,730,826
Equity at 31.12.2011	**120,689,285**	**471,757,296**	**72,994,386**	**362,044**	**-70,687,900**	**44,041,364**	**639,156,475**

» STATEMENT OF CASH FLOWS AT 31 DECEMBER 2012

Items	31.12.2012	31.12.2011 (*)
Operating activities		
1. Operations	**164,838,240**	**141,452,225**
- net profit (loss) for the period (+/-)	18,948,475	44,041,364
- gains (losses) on financial assets held for trading and financial assets/liabilities carried at fair value (-/+)	-4,193,429	-14,169,845
- gains (losses) on hedging activities (-/+)	735,008	1,460,825
- net impairment adjustments (+/-)	51,593,131	32,040,106
- net adjustments of property, plant and equipment and intangible assets (+/-)	7,533,306	7,086,497
- net provisions for liabilities and contingencies and other costs/revenues (+/-)	3,328,899	892,589
- unpaid taxes and duties (+)	5,640,153	26,392,796
- net adjustments/writebacks of discontinuing operations net of tax effects (-/+)	-	-
- other adjustments (+/-)	81,252,697	43,707,893
2. Liquidity generated/absorbed by financial assets	**-230,625,185**	**678,105,514**
- financial assets held for trading	26,286,373	20,170,246
- financial assets carried at fair value	-	-
- financial assets available for sale	-23,141,468	515,144,856
- loans to banks: demand	-577,290	-42,477,103
- loans to banks: other loans	-213,260,199	315,112,522
- loans to customers	-10,320,644	-155,213,909
- other assets	-9,611,957	25,287,017
3. Liquidity generated/absorbed by financial liabilities	**110,144,713**	**-784,262,904**
- due to banks: demand	174,604,745	5,916,637
- due to banks: other payables	-15,575,401	-677,870,465
- due to customers	-308,868,329	-47,320,330
- securities issued	215,766,072	141,536,674
- financial liabilities held for trading	-15,941,943	-6,663,611
- financial liabilities carried at fair value	-	-
- other liabilities	60,159,569	-199,861,809
Net liquidity generated/absorbed by operating activities	**44,357,768**	**35,294,835**
B. Investing activities		
1. Liquidity generated by:	**412,678**	**297,891**
- sale of equity investments	-	-
- dividends from equity investments	380,678	297,891
- sale of financial assets held to maturity	-	-
- sales of property, plant and equipment	32,000	-
- sales of intangible assets	-	-
- disposal of business units	-	-
2. Liquidity absorbed by:	**-2,589,057**	**-228,322**
- purchases of equity investments	-	-2,784,958
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	-2,589,057	-1,090,086
- purchases of intangible assets	-	-
- purchases of business units	-	3,646,722
Net liquidity generated/absorbed by investing activities	**-2,176,379**	**69,569**
C. Funding		
- issues/purchases of treasury shares	-	7,094,555
- issues/purchases of capital instruments	-	-
- dividend distribution and other	-39,620,571	-42,449,839
Net liquidity generated/absorbed by funding	**-39,620,571**	**-35,355,284**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**2,560,818**	**9,120**

RECONCILIATION

Items	31.12.2012	31.12.2011
Cash and cash equivalents at beginning of period	54,671,259	54,662,139
Total net liquidity generated/absorbed in the period	2,560,818	9,120
Cash and cash equivalents: effect of exchange rates changes	-	-
Cash and cash equivalents at end of period	**57,232,077**	**54,671,259**

Key: (+) generated (-) absorbed

(*) Re-stated following the final allocation of the cost of the business combination provisionally recognized in 2011 (IFRS 3 par. 62).

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Iscritta all'Albo delle Banche al n. 5391
Società soggetta all'attività di Direzione e Coordinamento di Cassa di Risparmio di Parma e Piacenza S.p.A.
e appartenente al Gruppo Bancario Cariparma Crédit Agricole iscritto all'albo dei Gruppi Bancari al n. 6230.7