ANNUAL REPORT 2013

FRIULADRIA
CRÉDIT AGRICOLE

Annual Report 2013

2013 Report and Financial Statements of Banca Popolare FriulAdria S.p.A.

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Letter from the Chairperson

Soundness, profitability, social focus, innovation. These four words comprise the distinctive features of FriulAdria Crédit Agricole, its mission to be a strong and reliable partner. A sound, reliable and constructive partner for the households and businesses of the Friuli Venezia Giulia and Veneto Regions. A Company able to face and manage the challenges that the longest economic recession after WWII has posed to all Italian businesses including those based in the North-East, taking a heavy toll.

This opening is not meant as a self-celebration, but as a well-deserved acknowledgement of the high professional standard of the people who made all this possible and of the brave strategic choices made by a cohesive team. In this regard, it can be said that not only does FriulAdria Crédit Agricole generate value, but also that it is a value in itself for its Community of operations. The crisis affecting also the lending business has undermined confidence in a sector that, wrongly enough, was considered immune from loss-making. Banca Popolare FriulAdria, together with the entire Cariparma Crédit Agricole Group, has long been exercising effective control on expenses and upgrading its structure, setting the basis for a new phase of sustainable growth. This is what has given us the strength to continue to support households and businesses, embracing the mission that our Bank undertook over one hundred years ago. This financial reports tells the latest part of this story, the steps ahead made in 2013. The figures herein are much more than mathematical ratios, they give evidence of the vision of a Bank with a soul and a brain, both strongly focused on its area of origin and of operations. This is why these figures are achievements to be proud of, since they summarize the profound sense of work done intelligently and passionately.

The Chairperson

ANTONIO SCARDACCIO

Corporate Bodies and Independent Auditors

Board of Directors

CHAIRPERSON

Antonio Scardaccio*

DEPUTY CHAIRPERSON

Ariberto Fassati*

DIRECTORS

Jean-Yves Barnavon

Gianpietro Benedetti

Hugues Brasseur*

Cristiana Compagno

Jean-Louis Delorme

Jean Pierre Gaillard

Jean-Philippe Laval*

Giampiero Maioli*

Daniele Marini

Antonio Paoletti

Giovanni Pavan

**Members of the Executive Committee*

Board of Auditors

CHAIRPERSON

Giampaolo Scaramelli

STANDING AUDITORS

Roberto Branchi

Alberto Guiotto

Andrea Martini

Antonio Simeoni

ALTERNATE AUDITORS

Andrea Babuin

Ilario Modolo

Senior management

CO-GENERAL MANAGER

Carlo Crosara

DEPUTY GENERAL MANAGER

Gérald Grégoire

Independent auditors

Reconta Ernst & Young S.p.A.

Key Figures

Income statement (thousands of euro)	2011	2012	2013
Net operating revenues	299,042	306,019	308,316
Net operating profit	108,846	87,471	120,003
Net profit	44,041	18,948	28,504

Balance sheet (thousands of euro)	2011	2012	2013
Loans to customers	6,491,187	6,439,839	6,325,422
Funding from customers	5,979,102	5,896,328	5,991,917
Indirect funding from customers	5,472,268	5,625,486	5,876,214

Operating structure	2011	2012	2013
Number of employees	1,746	1,708	1,672
Number of branches	208	204	199

Profitability, Efficiency and Credit Quality Ratios	2011	2012	2013
Cost/income	63.6%	71.4%	61.1%
Net income/Average equity (ROE)	6.9%	2.9%	4.2%
Net impaired loans/Net loans to customers	4.6%	5.1%	6.2%
Total writedowns on impaired loans/Gross impaired loans	44.6%	47.1%	46.3%

Capital ratios	2011	2012	2013
Core Tier 1 ratio	9.3%	9.4%	10.7%
Tier 1 ratio	9.3%	9.4%	10.7%
Total capital ratio	9.4%	9.4%	10.7%

Significant Events

APRIL - The start-up of the “Finance and Credit Project for Businesses in the Province of Pordenone” involving FriulAdria, the Provincial Government and the local Trade Associations: a total amount of Euro 50M (then increased to €54M) was made available to grant new credit facilities to the Businesses based in the Province.

MAY - In order to increase its liquidity reserves, in the period the Cariparma Crédit Agricole Group completed the design of its first program for the issue of self-held Covered Bonds. FriulAdria is proactively involved in this Project and has contributed by transferring – in May - a home mortgage loans portfolio to the the special-purpose vehicle that was incorporated by the Group for the purpose.

JULY - In Udine, the Second Report on the agriculture and agri-industrial sector in North-Eastern Italy «Feed the Growth», prepared in cooperation with «Fondazione Nord Est» (centre for economic and social studies set up by the Employers’ Associations in North-Eastern Italy). The Convention, which attracted a large and qualified audience of sector players, was attended also by the President of the Friuli Venezia Giulia Region, Ms. Debora Serracchiani and by the Undersecretary of the ministry of Agricultural, Food and Forest Policies, Mr. Maurizio Martino.

SEPTEMBER - Start-up of the “Asset Quality Review” (AQR) Group Project, aimed at preparing and carrying out, in the best possible way, the review of the quality of Assets, which will performed, within the setting-up of the Single Supervisory Mechanism, and will concern the Crédit Agricole Group (and consequently also FriulAdria).

OCTOBER - In order to respond to the difficult market situation and to the increasingly evolved requirements of Customers, the Group started an innovative program for the development of the Retail Service Model, the Mo.Ser. Project, which has been designed to review and innovate the model for the management of Retail Customers. This Project was started in October involving the central Department for the FriulVeneta Area of operations and was completed in November with the other two central Departments for the Management of Areas of operations. The new Service Model is based on innovative specifications for the reception of Customers and has been designed to focus on the Customer-Bank relation.

DECEMBER - The Cariparma Crédit Agricole Group was authorized to the use - use by Cariparma and FriulAdria - of Advanced Internal Rating-based systems for the calculation of the capital requirement for credit risk associated to Retail Exposures (the so-called «Retail Portfolio»). This validation is the successful outcome of a project that was started in previous periods and significantly involved all the Group’s structures, as well as the structures of the Parent Company Crédit Agricole, and that allows the capital ratios to considerably improve (even from the already excellent pre-validation levels).

Profile of the Cariparma Crédit Agricole Group

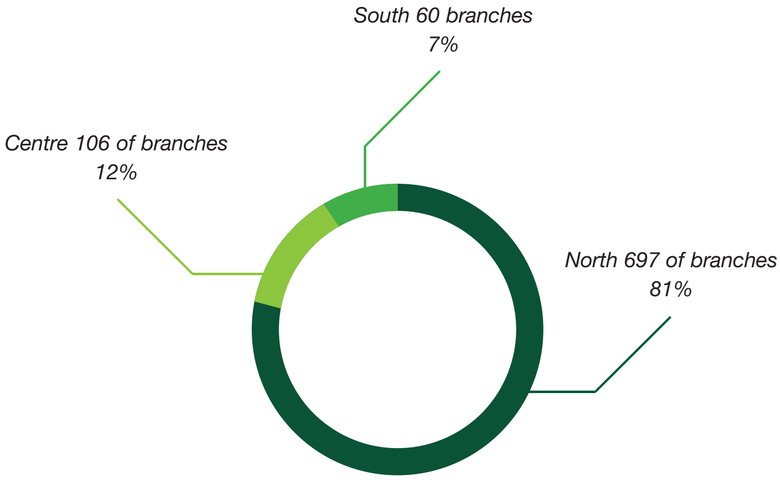
The Cariparma Crédit Agricole Group is part of the French Group Crédit Agricole and consists of:
- Cassa di Risparmio di Parma & Piacenza S.p.A. (Cariparma)
- Banca Popolare FriulAdria S.p.A. (FriulAdria)
- Cassa di Risparmio della Spezia S.p.A. (Carispezia)
- Crédit Agricole Leasing S.r.l. (CALIT)

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

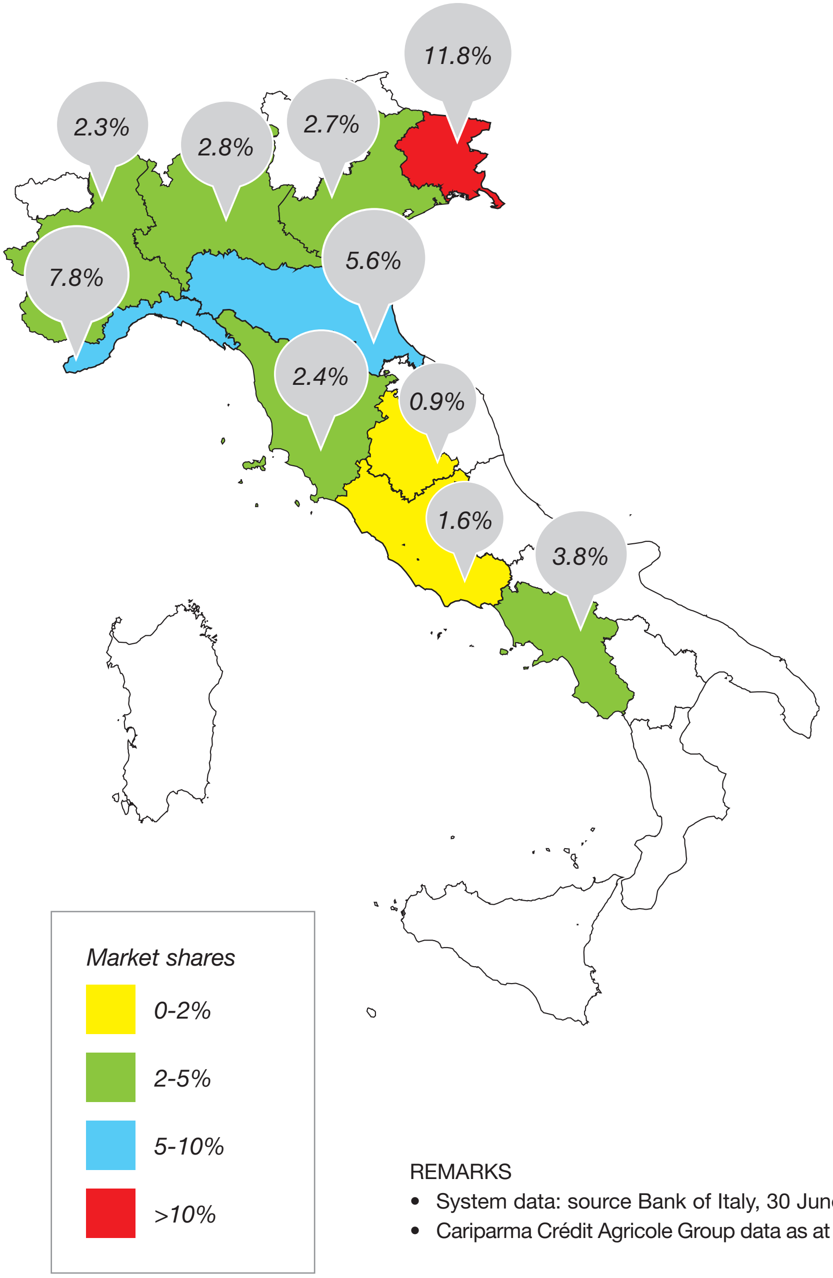
The Cariparma Crédit Agricole Group ranks among the top eight players in the Italian banking scenario in terms of areas of operations, with approximately 8 thousand Employees and over 1.7 million Customers

	Cariparma	Carispezia	FriulAdria	Group
Number of branches	592	72	199	863
Private Banking centres	15	1	5	21
Enterprise Centres	17	3	7	27
Corporate Areas	5	1	1	7

» BRANCH DISTRIBUTION BY REGION



» GEOGRAPHICAL DISTRIBUTION OF MARKET SHARES IN TERMS OF BRANCHES



REMARKS
- System data: source Bank of Italy, 30 June 2013;
- Cariparma Crédit Agricole Group data as at 31 December 2013

CRÉDIT AGRICOLE S.A.

The Crédit Agricole Group is the leading financial partner of the French economy and one of the largest banking groups in Europe. The Group is the European leader in the Retail Banking Sector, ranks first among European asset management companies, first in the European bancassurance sector and is the global leader in in aircraft finance.

Built on its strong cooperative and mutualistic roots and relying on its 150,000 employees and 31,000 Directors of Local and Regional Banks, the Crédit Agricole Group is a responsible and responsive Bank, serving 49 million Customers, 7.4 million members and 1.2 million shareholders.

Thanks to its model of Universal Proximity Bank - which is characterized by the strong bond between its retail banks and its Product Factories - the Crédit Agricole Group supports its Customers in realizing their projects in France and worldwide providing specialist services in the following segments: insurance, real estate, payment instruments, asset management, leasing and factoring, consumer credit, investment banking.

Serving the economy, the Crédit Agricole Group also stands out for its dynamic and innovative policies on social responsibility and the environment, which engage the entire Group and all staff in implementing concrete actions. Its recent inclusion in the Vigeo-NYSE Euronext responsible investment indices substantiates the acknowledgement of this commitment.

60
THE COUNTRIES WHERE IT OPERATES

49 Mln
OF CUSTOMERS

150 000
EMPLOYEES

5,1 Mld€
NET INCOME - GROUP SHARE

76,3 Mld€
EQUITY - GROUP SHARE

11,2 %
CORE TIER ONE RATIO

THE GROUP'S ORGANISATION

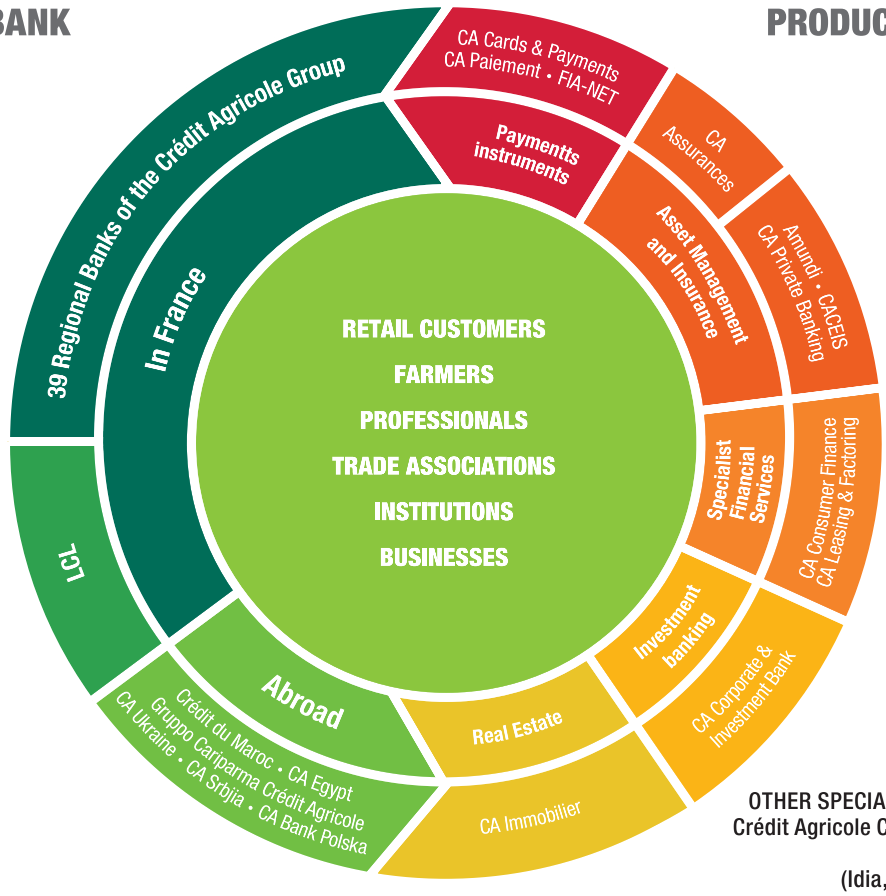
7.4 million members are at the base of the Crédit Agricole Group cooperative structure. They hold shares of the capital of the **2,483 Local Banks** and appoint their representatives: **31,000 Directors,** who put their interest at the very heart of the Group. The Local Banks own most of the capital of the **39 Regional Banks**.

The Regional Banks are cooperative regional banks providing their Customers with a full range of products and services. The Regional Banks' steering body is the Fédération nationale du crédit agricole (the National Federation of Agricultural Credit-FNCA), which defines and sets the main strategies for the Group.

Through the Federation, the Regional Banks are the controlling shareholder of Crédit Agricole S.A, with a 56.2% shareholding. Crédit Agricole S.A. holds 25% of the capital of the Regional Banks (except for Corsica); in cooperation with the specialist product companies, it coordinates the strategies for the various business lines in France and abroad.

THE UNIVERSAL CUSTOMERS-FOCUSED PROXIMITY BANK

PROXIMITY BANK **PRODUCT FACTORIES**



OTHER SPECIALIZED SUBSIDIARIES:
Crédit Agricole Capital Investissement & Finance
(Idia, Sodica), Uni-éditions

NO. 1 FINANCIAL PARTNER TO THE FRENCH ECONOMY

NO. 1 BANCASSURER IN EUROPE

NO. 1 ASSET MANAGER IN EUROPE

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

- It operates in the leasing sector, with real estate, operating, motor vehicle and energy leases.
- the 13th player the Italian lease sector, with a market share of 2%
- As at the end of 2013, the loan portfolio amounted to €2 billion

CRÉDIT AGRICOLE COMMERCIAL FINANCE

- the 13th player in the Italian factoring market
- The Italian market is very competitive, with 30 players.
- 2013 Turnover: €2 billion

Agos Ducato

- Total assets: over €16 billion .
- Market share of 11.6%.
- Operates nationwide with 233 direct Branches and through the networks of the Cariparma Crédit Agricole Group and Banco Popolare Italiano.

FGA CAPITAL

- Operates in 14 European Countries and provides customized financial solutions and ancillary services dedicated to Dealers, Retail Customers and Businesses
- Total assets: €14.6 billion
- It works with the FIAT, Alfa Romeo, Lancia, FIAT Professional, Abarth, Chrysler, Jeep, Maserati, Jaguar and Land Rover brands.

Corporate and investment banking

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

- It has long been operating in Italy, in the Corporate and Investment Banking sector (capital market, structured finance, issue of debenture loans).
- Works with large companies, financial institutions and the public sector

Asset Management

Amundi ASSET MANAGEMENT

- One of the first foreign players in Italy in the asset management sector, now holds a 2% market share
- It manages over 60 Italian collective investment scheme and i open-end pension fund (SecondaPensione)
- It distributes the Luxembourg SICAVs Amundi Funds and Amundi International Sicav.
- Assets under Management: over €25 billion

CRÉDIT AGRICOLE FIDUCIARIA

- A Trust company specializing in the management of third parties' assets pursuant to Law 1966/1939
- It has been operating in Italy since 2012.
- Its Customers are mainly Italian and international Banks.

Insurance

CRÉDIT AGRICOLE VITA

- fully-controlled by Crédit Agricole Assurances S.S., operates in the Life Insurance sector.
- Places its products through the network of the Cariparma Crédit Agricole Group
- the 6th player in the Italian bancassurance sector (by placers)
- €2.2 billion worth of premiums collected in 2013 (reserves amounting to €9.1 billion)
- 360,000 existing policies

CRÉDIT AGRICOLE ASSICURAZIONI

- Fully-controlled by Crédit Agricole Assurances S.S., operates in the Non- Life Insurance sector.
- It holds a 2% share of the Italian bancassurance market
- 67,500 home policies
- 42,000 existing vehicle insurance policies
- «Protezione persona» (accident insurance policy) launched at the end of 2012

CRÉDIT AGRICOLE CREDITOR INSURANCE

- Company specializing in CPI products, for the protection of credit and Life-Style
- It operates in 11 Countries, in Italy it has been operating since September 2010 with CACI-Life and CACI- Non Life
- It is the No. 2 Italian player

Private Equity

IDIA-SODICA ITALIA CA AGRO-ALIMENTARE

- It operates in Italy through C3A, a financial holding company incorporated under the Italian law, of which Cariparma and FriulAdria hold 36.85% in total.
- Focus on unlisted Italian SMEs and on investment transactions in the agri-food and agri-industrial chains.

Report and Financial Statements of FriulAdria

Financial highlights and ratios

Income statement (*) (thousands of euro)	31.12.2013	31.12.2012	Changes Amount	Changes %
Net interest income	170,720	186,819	-16,099	-8.6
Net commission income	120,408	116,652	3,756	3.2
Dividends	142	381	-239	-62.7
Net gain (loss) on financial activities	19,997	5,826	14,171	
Other operating revenues (expenses)	-2,951	-3,659	-708	-19.3
Net operating revenues	308,316	306,019	2,297	0.8
Operating expenses	-188,313	-218,548	-30,235	-13.8
Net Operating profit	120,003	87,471	32,532	37.2
Net provisions for liabilities and contingencies	-2,567	-3,329	-762	-22.9
Net impairment adjustments of loans	-63,592	-59,260	4,332	7.3
Net profit	28,504	18,948	9,556	50.4

Balance sheet (*) (thousands of euro)	31.12.2013	31.12.2012	Changes Amount	Changes %
Loans to customers	6,325,422	6,439,839	-114,417	-1.8
Net financial assets/liabilities held for trading	18,920	19,042	-122	-0.6
Financial assets available for sale	807,370	874,584	-67,214	-7.7
Equity investments	5,350	5,350	-	-
Property, plant and equipment and intangible assets	190,660	195,280	-4,620	-2.4
Total net assets	7,746,864	8,021,260	-274,396	-3.4
Funding from customers	5,991,917	5,896,328	95,589	1.6
Indirect funding from customers	5,876,214	5,625,486	250,728	4.5
of which: asset management	*3,465,546*	*2,971,949*	*493,597*	*16.6*
Net due to banks	628,655	857,812	-229,157	-26.7
Shareholders' equity	694,220	672,378	21,842	3.2

Operating structure(*)	31.12.2013	31.12.2012	Changes Amount	Changes %
Number of employees	1,672	1,708	-36	-2.1
Average number of employees (§)	1,563	1,639	-76	-4.6
Number of branches	199	204	-5	-2.5

(*) Income Statement and Balance Sheet figures are those restated in the reclassified financial statements shown on pages 23 and 31.

(§) 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 (*)	31.12.2013	31.12.2012
Loans to customers / Total net assets	81.7%	80.3%
Direct customer deposits / Total net assets	77.3%	73.5%
Asset management / Total indirect funding	59.0%	52.8%
Loans to customers / Direct customer deposits	105.6%	109.2%
Total assets / Shareholders' Equity (Leverage)	11.5	12.8

Profitability ratios (*)	31.12.2013	31.12.2012
Net interest income / Net operating revenues	55.4%	61.0%
Net commissions income / Net operating revenues	39.1%	38.1%
Cost / income	61.1%	71.4%
Net income / Average equity (ROE) [a]	4.2%	2.9%
Net profit / Total assets (ROA)	0.4%	0.2%
Net profit / Risk-weighted assets	0.7%	0.3%

Risk ratios (*)	31.12.2013	31.12.2012
Gross bad debts/ Gross loans to customers	6.4%	5.1%
Net bad debts / Net loans to customers	2.4%	1.9%
Net impairment adjustments of loans / Net loans to customers	1.0%	0.9%
Cost of risk [b] / Operating profit	55.1%	71.6%
Net bad debts / Total regulatory capital	34.4%	22.4%
Net impaired loans / Net loans to customers	6.2%	5.1%
Total writedowns on impaired loans / Gross impaired loans	46.3%	47.1%

Productivity ratios (*) (economic)	31.12.2013	31.12.2012
Operating expenses / No. of employees (average)	120.5	133.3
Operating revenues / No. of employees (average)	197.3	186.7

Productivity ratios (*) (capital)	31.12.2013	31.12.2012
Loans to customers / No. of employees (average)	4,047.0	3,929.1
Direct customer deposits / No. of employees (average)	3,833.6	3,597.5

Capital ratios (§)	31.12.2013	31.12.2012
Core Tier 1 [c] / Risk-weighted assets (Core Tier 1 ratio)	10.7%	9.4%
Tier 1 capital / Risk-weighted assets (Tier 1 ratio)	10.7%	9.4%
Total regulatory capital / Risk-weighted assets (Total capital ratio)	10.7%	9.4%
Risk-weighted assets (thousands of euro)	4,143,738	5,712,413

(*) The Ratios are based on the balance sheet and income statement figures of the reclassified financial statements shown on pages 23 and 31.
(a) Ratio of net profit to equity weighted average.
(b) Total risk cost includes the provision for liabilities and contingencies, as well as net adjustments of loans.
(c) 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 €3,106,088 thousand and, consequently, would have come to 14.3%.

Management Report

» MACROECONOMIC DEVELOPMENTS AND THE BANKING SYSTEM IN 2013

The macroeconomic scenario in 2013

In 2013, the world economy continued to post weak growth, partly still driven by expansive monetary policies: GWP +2.9% YOY (2012: up by +3.0% YOY). The growth was higher in Japan, whereas in the emerging Countries, such as China, India, Russia and Brazil, the economic activity continued to slow down; the US economy also increased, even though at a slower rate than in 2012.

Overall, the Euro Area continued in recession in 2013: the Eurozone GDP decreased by 0.4% YOY1, 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 +0.6%).

Considering the economic situation and the expectations for low inflation, the monetary policy implemented by the European Central Bank continued to support the growth of European economy: the main refinancing rate was reduced from 0.75% at the opening of the year to an all-time low of 0.25%.

Moreover, between September and October, another step forward was made toward the European Banking Union, with the approval of the regulation on the Single Supervisory Mechanism for the banking sector, which vests the European Central Bank with the task and power to directly supervise approximately 130 significant credit institutions, including the Crédit Agricole Group (and, therefore, FriulAdria), as well as the task to supervise over 6,000 Banks in the Euro Area starting from autumn 2014.

The Italian economy continued to be weaker than the rest of the Euro Area: the overall situation was still penalized by a marked drop in domestic demand, due to the problems in the labour market and to still restrictive budgetary policies, which continued to impact households' purchasing power and to provide no incentive for the investment plans of businesses. All this caused the Italian economy to contract also in 2013, with the GDP down by -1.9% , due to the drop in households' consumption (down by -2.6% YOY) and in gross fixed investments (down by -4.7% YOY).

In 2013, inflation remained modest, coming to 1.2%1 in December: despite the increase in the VAT rate implemented at the beginning of October (from 21% to 22%), consumer prices progressively dropped, driven by the decrease in the prices of energy and food products.

The Banking System in 2013

The weak macroeconomic situation, the uncertainties on the extent and strength of recovery, the still-present fragility of the financial markets are all factors that required Italian Banks to continue, in 2013, their actions to control liquidity and credit risks, to strengthen capital and to control expenses.

The Banks' exposure to Italian Government securities has significantly increased since the beginning of last year, thanks to the relatively high yields of Government securities, also due to the need to temporarily invest the liquidity obtained through the two ECB long-term (3-year) refinancing operations (Long Term Refinancing Operations - LTRO- in December 2011 and February 2012).

The persisting recession in Italy, which has been going on for over two years now, continued to generate a worsening in credit quality for the Banking system, as well as increasingly significant difficulties in the business scenario: the latest data on gross bad loans show that

[1] Source: Prometeia Forecast Report January 2014

[2] Source: ISTAT (the Italian National Institute of Statistics), National Income Accounts for 2013, update of March 2014.

they came to nearly €150 billion in November 2013 (up by €27.7 billion YOY; up by over €100 billion vs. the end of 2007). The ratio of gross bad loans to total loans came to 7.8% in November 2013 (6.1% a year before; 2.8% at the end of 2007).

In terms of bank funding, the differences in the performance of the two main components of funding continued to accentuate: the medium-/long-term component decreased while the short-term one increased. The latest data issued by ABI (the Italian Banking Association) in December 2013 have confirmed this trend: they show a annual decrease in bonds (net of those repurchased by Banks) of -9.3%, vs. a positive development in deposits from Customers, which increased by +1.1% YOY.

Lending to households and businesses decreased: down by -7.3% YOY as at the end of 2013. This performance was also due to the decrease in the main macroeconomic data (GDP, Investments and Consumption).

The net interest spread, which reached all time low in 2012 (164 basis points) since it was impacted by liquidity tensions, came to 187 basis points in December 2013, mainly due to greater focus on short-term funding, which is less costly.

In economic terms, the banking system profitability was impacted by the drop in net interest income, due to the decrease in loans and the high number of adjustments of loans. These impacts were only partially offset by effective control of operating expenses and by the positive contribution of income from services, especially in the intermediation and asset management segments.

As regards asset management, in 2013[a] net funding came close to Euro 65 billion, posting the best performance in the last ten years (up by +€10 billion vs. 2005), largely making up for the outflows occurred in 2011 and 2012. Driven by subscriptions and thanks to the performance effect, Wealth Management totalled over Euro 1,331 billion.

As regards operating expenses, the actions for expenses optimization, which have been implemented in last few years by the main players in the sector, continued in the period, with considerable cuts in the majority of expense items, specifically through corporate reorganizations and voluntary redundancy incentives. The operating profit was, however, impacted by the high adjustments of loans: at the year end, total adjustments for the system came to over Euro 23 billion, exceeding the operating profit. This was due to the expected impairment of the loan portfolio quality, as well as to the requirement of maintaining adequate coverage ratios. Overall, as at 31 December 2013, the Banking system is expected to make essentially no profit, with a return on capital close to zero.

The local economy

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

Friuli Venezia Giulia

The recession, which started in the second half of 2011, continued in 2013 and the increasing weakness in domestic demand was combined with a decrease in foreign one. The GDP, therefore, decreased by -1.5% YOY, due to both the decrease in investments (down by -5.6% YOY) and in households' consumption (down by -2.2% YOY), as well as to the drop in export (down by -3.0% YOY), which affected the majority of the Region's specialist sectors. Business operations, in particular in the building and public works sector, continued to be low and the outlook is negative. The difficulties in the labour market continued, especially in the industrial, strictly speaking, and in the building sector, with a decrease in employed people, which translated into a higher unemployment rate, coming to 7.6% at the end of 2013 (7.1% in 2012).

[2] Source: ABI Monthly January 2014.

[3] Source: ABI Interest Rate Statistics. The Italian Banking Association (ABI) sample: it 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).

[4] Source: Assogestioni (the Italian Association of Asset Management firms) Mappa Mensile del Risparmio Gestito (Monthly Map of Asset Management – December 2013

Veneto

In 2013, the Region economy continued recessive, impacted by the weak domestic demand and by the slowdown in world trade. Therefore, the GDP decreased by -1.8% YOY, due to drop in investments (down by -5.7% YOY, which were put off by the general uncertainty) and to the decrease in households' consumption (down by -2.2% YOY), only partly offset by the positive performance of export (up by +1.5% YOY, driven by the marked increase in sales to non-Euro Area Countries, such as United States, Switzerland and Russia). Specifically, industrial activity continued to decrease, even though at a slower rate than in 2012. The conditions of the building sector remained critical, with further decrease in production levels. In the tertiary sector, retail sales in the trade sector decreased, while transport and tourism performed better, only on account of international demand. The long recession also caused a high unemployment rate, which came to 7.7% at the end of 2013.

» PERFORMANCE

In the still difficult economic situation affecting Italy and Europe, Businesses, Banks and Households continued to be impacted by the scenario impairment. Evidence of the latter were the performance, the stagnation in demand for loans, the decrease in consumption and investment. The performance of Banca Popolare FriulAdria must, therefore, be analyzed strictly based on the above. Specifically, the Bank's performance was impacted by low market rates, by high cost of funding, by a slowdown in the demand for loans combined with further increase in the cost of risk. On the other hand, thanks to the good performances of commission income, trading activities and operating expenses, the Bank all the same improved its income from operations vs. the previous period, also net of the non-recurring expenses relating to the voluntary redundancy scheme, which were fully recognized in 2012 and generated no effects in 2013.

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

Items	31.12.3013	31.12.2012	Changes Amount	Changes %
Net interest income	170,720	186,819	-16,099	-8.6
Net commission income	120,408	116,652	3,756	3.2
Dividends	142	381	-239	-62.7
Gain (loss) on financial activities	19,997	5,826	14,171	
Other operating revenues (expenses)	-2,951	-3,659	-708	-19.3
Net operating revenues	**308,316**	**306,019**	**2,297**	**0.8**
Staff expenses	-109,982	-137,515	-27,533	-20.0
Administrative expenses	-71,259	-73,500	-2,241	-3.0
Depreciation and amortization	-7,072	-7,533	-461	-6.1
Operating expenses	**-188,313**	**-218,548**	**-30,235**	**-13.8**
Operating profit	**120,003**	**87,471**	**32,532**	**37.2**
Net provisions for liabilities and contingencies	-2,567	-3,329	-762	-22.9
Net adjustments of loans	-63,592	-59,260	4,332	7.3
Gain (loss) from financial assets held to maturity and other investments	14	-294	308	
Profit before tax on continuing operations	**53,858**	**24,588**	**29,270**	
Income tax for the period on continuing operations	-25,354	-5,640	19,714	
Profit (loss) for the period	**28,504**	**18,948**	**9,556**	**50.4**

Reconciliation between the official and reclassified income statements

	31.12.2013	31.12.2012
Net interest	**170,720**	**186,819**
30. Net interest margin	160,433	178,416
130. Net impairment adjustments of: a) loans, of which time value on impaired loans	10,287	8,403
Net commissions income = item 60	**120,408**	**116,652**
60. Net commissions	111,269	114,123
190. Altri oneri/proventi di gestione: di cui Commissioni Istruttoria Veloce	9,139	2,529
Dividendi = voce 70	**142**	**381**
Net gain (loss) on financial activities	**19,997**	**5,826**
80. Net gain (loss) on trading activities	2,552	3,801
90. Net gain (loss) on hedging activities	2,110	2,088
100. Gain (loss) on the disposal or repurchase of: b) financial assets available for sale	15,024	152
100. Gain (loss) on the disposal or repurchase of: d) financial liabilities	311	-215
Other operating revenues (expenses)	**-2,951**	**-3,659**
190. Other operating revenues (expenses)	43,877	36,996
less: recovery of expenses	-37,318	-37,416
less: past due commission	-9,139	-2,529
130. Net impairment adjustments of: b) financial assets available for sale	-371	-710
Proventi operativi netti	**308,316**	**306,019**
Staff expenses = 150 a)	**-109,982**	**-137,515**
Administrative expenses	**-71,259**	**-73,500**
150. Administrative expenses: b) other administrative expenses	-108,577	-110,916
190. Other operating revenues/expenses: recovery of expenses	37,318	37,416
Depreciation and amortization	**-7,072**	**-7,533**
170. Net adjustments of property, plant and equipment	-4,857	-5,318
180. Net adjustments of intangible assets	-2,215	-2,215
Operating expenses	**-188,313**	**-218,548**
Net operating profit	**120,003**	**87,471**
Net provisions for liabilities and contingencies = Item 160	**-2,567**	**-3,329**
Net impairment adjustments of loans	**-63,592**	**-59,260**
100. Gain/loss on the disposal of: a) loans	-	-
130. Net impairment adjustments of: a) loans	-52,273	-50,816
130. Net impairment adjustments of: a) loans, of which time value on impaired loans	-10,287	-8,403
130. Net impairment adjustments of: d) other financial transactions	-1,032	-41
Gain (loss) from financial assets held to maturity and other investments	**14**	**-294**
210. Gain (loss) from equity investments	-	-317
240. Gain (loss) on disposal of investments	14	23
Profit before tax on continuing operations	**53,858**	**24,588**
Income tax on continuing operations = item 260	**-25,354**	**-5,640**
Net profit (loss) for the period	**28,504**	**18,948**

Net operating revenues

Net operating revenues posted a positive balance of €308.3 million vs. the already positive figure of €306.0 million for the previous period, increasing by €2.3 million, despite such a difficult and complex market situation as that of 2013.

Net interest income

	31.12.2013	31.12.2012	Changes	
			Amount	%
Business with customers	175,768	195,662	-19,894	-10.2
Business with banks	-5,698	-6,900	-1,202	-17.4
Securities issued	-48,281	-51,076	-2,795	-5.5
Differences on hedging derivatives	23,607	17,818	5,789	32.5
Financial assets held for trading	726	875	-149	-17.0
Financial assets available for sale	24,625	30,385	-5,760	-19.0
Other net interest	-27	55	-82	
Net interest income	**170,720**	**186,819**	**-16,099**	**-8.6**

Net interest income came to €170.7 million decreasing from €186.8 million recognized in the previous period, (down by -16.1 million, i.e. -8.6%), due to the decrease in net interest income from business with Customers (down by -10.2%), as well as in net interest income from investment securities, especially those classified as available-for-sale financial assets (down by -19.0%). This was due to the decrease in interest income from loans to Customers and from proprietary securities (which both decreased in terms of volumes and returns); this decrease was not offset by the decrease in interest expenses, which was not equivalent, despite the contribution of coverage policies.

Dividends

Dividends from equity investments and equity instruments classified as available-for-sale financial assets came to €142 thousand, decreasing from €381 thousand in the previous year.

Net commission income

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- guarantees issued	2,251	1,245	1,006	80.8
- collection and payment services	8,030	8,675	-645	-7.4
- current accounts	41,313	43,037	-1,724	-4.0
- debit and credit card services	5,555	5,289	266	5.0
Commercial banking business	**57,149**	**58,246**	**-1,097**	**-1.9**
- securities intermediation and placement	26,670	25,364	1,306	5.1
- foreign exchange	643	1,023	-380	-37.1
- asset management	1,149	1,406	-257	-18.3
- distribution of insurance products	26,713	22,964	3,749	16.3
- other intermediation/management commissions	772	654	118	18.0
Management, intermediation and advisory services	**55,947**	**51,411**	**4,536**	**8.8**
Other net commissions	7,312	6,995	317	4.5
Total net commissions income	**120,408**	**116,652**	**3,756**	**3.2**

Net commission income, which account for nearly 40% of operating revenues, came to €120.4 million, increasing by €3.8 million (up by +3.2%) vs. the previous year. This performance, which expresses the proactivity of the Bank in situation that is still difficult for businesses and households, was mainly due to the activities for placing and maintaining the financial products of the Crédit Agricole Group, both common investment schemes and bancassurance. Indeed, commission income for management, intermediation and advisory services came to €55.9 million, increasing by €4.5 million (up by +8.8%), thanks to the distribution of insurance products, which posted an increase of €3.7 million (+16.3%), and to securities placing, whose income performance increased by €1.3 million (up by +5.1%).

Commission income from commercial banking activities decreased by €1.1 million (down by -1.9%), reflecting the difficulties of the Country's domestic demand, with limited investments, limited businesses' turnover and limited households' consumption.

Profit (loss) on trading activities

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
Interest rates	2,144	2,546	-402	-15.8
Equities	-	-9	-9	
Foreign exchange	718	1,049	-331	-31.6
Total net gain (loss) on financial assets held for trading	**2,862**	**3,586**	**-724**	**-20.2**
Total gain (loss) on hedging activities	**2,111**	**2,088**	**23**	**1.1**
Gain (loss) on disposal of financial assets available for sale	**15,024**	**152**	**14,872**	
Net gain (loss) on financial activities	**19,997**	**5,826**	**14,171**	

The increase in net operating income was due to the performance of net commission income and of trading activities. Income from trading activities came to €20.0 million, increasing by €14.2 million YOY, thanks to the management of the Bank's proprietary portfolio. Gains from disposal of available-for-sale financial assets came to €15.0 million, whereas, in 2012, they were negligible (€152 thousand). Gains on trading activities came to €2.9, decreasing by €0.7 million (down by -20.2%) due to activities on currencies, which decreased from €1.0 million to €0.7 million (down by -€0.3 million, -31.6%), as well as to activities on interest rates, which decreased by €0.4 million (down by -15.8%) from €2.5 million to €2.1 million. Specifically, the latter consists in trading Government securities, bonds and, especially, derivatives (whose decrease was mainly due to placing performance, impacted by continuous slowdown in demand for loans by businesses). Hedging activities were stable, coming to €2.1 million, as in 2012.

Other operating income (expenses)

This item includes operating expenses amounting to €3.0 million, decreasing from €3.7 million of the previous year. This item also includes amortization relating to improvement on leased assets (expenses borne to upgrade leases buildings to operating requirements) amounting to €0.9 million, vs. €1.2 million in the previous year; impairment losses on available-for-sale securities amounted to €371 thousand, vs. €0.7 million in 2012, and the «Other expenses/income» item (that showed a negative balance of €1,7 million, slightly decreasing vs. €1.8 million in 2012.

Operating expenses

Items	31.12.2013	31.12.2012	Changes Amount	Changes %
- wages and salaries	-80,668	-81,166	-498	-0.6
- social security contributions	-20,860	-21,801	-941	-4.3
- other staff expenses	-8,454	-34,548	-26,094	-75.5
Staff expenses	**-109,982**	**-137,515**	**-27,533**	**-20.0**
- general operating expenses	-18,343	-19,122	-779	-4.1
- IT services	-10,859	-10,683	176	1.6
- direct and indirect taxes	-17,383	-15,296	2,087	13.6
- facilities management	-9,507	-10,187	-680	-6.7
- legal and other professional services	-2,418	-2,619	-201	-7.7
- advertising and promotion costs	-1,784	-2,099	-315	-15.0
- indirect staff expenses	-1,536	-2,274	-738	-32.5
- other expenses	-46,747	-48,636	-1,889	-3.9
- recovery of expenses and charges	37,318	37,416	-98	-0.3
Administrative expenses	**-71,259**	**-73,500**	**-2,241**	**-3.0**
- intangible assets	-2,215	-2,215	-	-
- property, plant and equipment	-4,857	-5,318	-461	-8.7
Depreciation and amortization	**-7,072**	**-7,533**	**-461**	**-6.1**
Operating expenses	**-188,313**	**-218,548**	**-30,235**	**-13.8**

Operating expenses came to €188.3 million, down by 13.8% vs. 2012, also due to an effective cost management policy.

Specifically:
- Staff expenses amounted to €110.0 million, decreasing by €27.5 million (down by -20.0%) vs. the previous year. This reduction was mainly due to the expenses for incentives to voluntary redundancy, which were fully recognized in 2012 (€25.4 million, based on the Agreements of 2 June 2012 as integrated on 20 December 2012) and had no effect in 2013. However, the breakdowns show staff expenses decreasing vs. the previous year, also net of the above non-recurring expense. Higher expenses resulting from contract adjustments were more than offset by the rigorous management of overtime and days off, as well as by the voluntary redundancies based on the Agreement. As at the end of 2013, the number of employees was 1,672, with a decrease of 36 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.
- Administrative expenses totalled €71.3 million, decreasing by €2.2 million (down by -3.0%) vs. 2012. Nearly all expense components decreased vs. the previous period. Only the item «Direct taxes and duties» increased vs. 2012, due to developments in the applicable legislation, which changed the revenue stamp duty on current accounts, deposits and financial products. IT expenses were essentially stable, in spite of including expenses for e-money, which is more and more widely used. All the other components substantiate the effective cost management that was implemented also in 2013; specifically, expenses for advertisement and promotions decreased by €0.3 million (-15.0%), due to reduced commercial sponsorships, as well as indirect expenses for staff, down by €0.7 million (-32.5%) due to lower travelling expenses and lower repayment of mileage expenses. Recovery of expenses and charges, mainly including taxes refund by Customers through direct debt, came to €37,3 million, essentially in line with the previous year (-0.1 million, -0.3%). With regard to recoveries from Customers, the increase in recovery of indirect taxes was offset by the decrease in recovery of insurance expenses. Also the payments made by the other Group Banks to FriulAdria for services provided decreased by €0.8 million. This was due to the fact that, in the period, some services that were previously provided by FriulAdria were outsourced.
- Depreciation and amortization came to €7.1 million, decreasing by 6.1% vs. the previous year. This decrease was mainly due to the exclusion from depreciation of prestigious property, thus complying with the guidelines issued by the Parent Company. Intangible assets representing the value of business with Customers, which was acquired with the

transfers of Branches made in 2011 and 2007, were stable and their weight in 2013 was the same as in the previous year.

Operating profit

Operating profit came to €120.0 million, increasing by €32.5 million (up by +37.2%) vs. the previous year. The considerable decrease in operating expenses, which, as reported above, was mainly due to the non-recurring expense for the employees' voluntary redundancy scheme fully recognized in 2012, combined with essentially stable net operating income. The performance of the two core business lines, therefore, generated a significant performance of income from operations, which, also net of the non-recurring expense recognized in 2012, would however post a 6.3% increase.

Provisions and other components

Net Provisions for contingencies and liabilities

Net provisions for contingencies and liabilities came to €2.6 million, down by €0.8 million vs. the previous year. This item benefited from €1.8 million worth of writebacks taken to the Income Statement of provisions for possible repayment to Customers of defaulted securities; these writebacks were higher than in the previous year by €1.5 million. Legal proceedings with the Bank as defendant accounted for €3.0 million of total net provisions amounting to €4.4 million, and lending related disputes accounted for €0.9 million.

Net impairment adjustments of loans

Items	31.12.2013	31.12.2012	Changes Amount	Changes %
- bad debts	-32,962	-40,505	-7,543	-18.6
- substandard loans	-25,115	-19,490	5,625	28.9
- restructured loans	-1,546	-	1,546	
- past-due/ overlimit loans	-627	-759	-132	-17.4
- performing loans	-2,310	1,535	-3,845	
Net impairment adjustments of loans	**-62,560**	**-59,219**	**3,341**	**5.6**
Net adjustments of guarantees and commitments	-1,032	-41	991	
Net adjustments of loans	**-63,592**	**-59,260**	**4,332**	**7.3**

The recession, which was already significant in 2012, continued to generate heavy impacts also in 2013 and, unavoidably, also on the cost of credit. Net impairment adjustments of loans came to €63.6 million, increasing by €4.3 million (up by 7.3%) vs. the previous reporting period. 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 1.01%, vs. 0.92% in 2012. The worsening of this ratio reflected, on one hand, the ongoing recession and, thus, the difficulties met by businesses and households, and, on the other, the continuing decrease in domestic demand, in employment rates and in available income. Writedowns of bad loans, net of writebacks, amounted to €33.0 million vs. €40.5 million in the previous year, decreasing by 18.6%. Adjustments of substandard loans came to €25.1 million, increasing by €5.6 million (up by +28.9%). Adjustments of performing loans were recognized amounting to €2.3 million, vs. a writeback of €1.5 million recognized in the previous year. The €3.8 million increase vs. the previous period was due to the inclusion in the calculation model of some point risk elements, such as the worsening of the performance monitoring indicator (PMI or with the Italian acronym IMA) and the classification as «risks under observation» (Italian acronym: RIO). Net adjustments for guarantees and commitments came to €1.0 million, while they were negligible in the previous period.

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

This item posted gains for €14 thousand, while in 2012 it came to a loss of €294 thousand.

Profit before tax on continuing operations

Profit before tax on continuing operations came to €53.9 million, increasing by €29.3 million (up by 119.0%) vs. the previous year. This was mainly due the considerably better performance of income from operations (up by +€32.5 million), which, as reported in the dedicated paragraph, benefited from stable revenues and especially from lower operating expenses.

Income taxes on continuing operations

Current and deferred taxes totalled €25.4 million, increasing by approximately €19.8 million vs. the previous year. The figure for the year was impacted both by the increase in the corporate income tax (IRES) rate of 8.5%, only for lenders and financial entities and exclusively for the fiscal year 2013, excluding from taxation the increase in taxable income relating to loan writedowns, as well recognition for IRAP purposes net adjustments of loans. The specific non-recurring positive components recognized in 2012 must also be taken into consideration. They resulted from 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 non-recurring components, in percentage terms, total taxes would decrease vs. the previous year, in particular due the Italian Regional Tax on Productive Activities (Italian acronym: IRAP). Indeed, with a gross income slightly decreasing, the amount due for this tax decreased vs. the previous year and caused the weight of the Regional Tax on Productive Activities to decrease from 39% to 13% of the gross profit.

Net profit (loss) and comprehensive income

Net profit

The net profit for the period came to €28.5 million, posting a €9.6 million increase vs. the previous year (up by +50.4%), including the expenses for the Employees' voluntary redundancy scheme. This performance substantiates the Bank's soundness, as well as its ability to respond to the crisis and its commitment to undertake and support important actions to manage a very complex situation, such as the present one, which is still stagnating, has been going on for some years and has a very uncertain outlook.

Comprehensive income

Items	31.12.2013	31.12.2012
10. Profit (loss) for the period	**28,504**	**18,948**
Other income components net of taxes without reversals to Income Statement		
20. Property, plant and equipment	-	-
30. Intangible Assets	-	-
40. Actuarial gains (losses) on defined-benefit plans	955	-2,515
50. Non-current assets being divested	-	-
60. Share of Valuation Reserves on equity investments measured using the equity method	-	-
Other income components net of taxes with reversals to Income Statement		
70. Hedging of foreign investments	-	-
80. Exchange rate differences	-	-
90. Cash flow hedges	-	-
100. Available-for-sale financial assets	11,156	56,241
110. Non-current assets being divested	-	-
120. Share of Valuation Reserves on equity investments measured using the equity method	-	-
130. Total other income components after tax	12,111	53,726
140. Comprehensive income (Item 10+130)	**40,615**	**72,674**

Comprehensive income consists of the profit for the period and of the changes in assets directly recognized in equity reserves. Comprehensive income for 2013 had a positive performance coming to €40.6 million, mainly due to net gains, as well as to the revaluation reserve for available-for-sale financial assets, which, in 2013, posted a positive increase by €11.2 million.

The changes shown in this table were significantly affected by the volatility on the valuation reserve for available-for-sale financial assets, due to the trends in the market of the underlying securities (mainly Government securities).

» 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 value of Hedging Derivatives and the Adjustment of financial assets and liabilities subject to 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	**31.12.2013**	**31.12.2012**	**Amount**	**%**
Net financial assets/liabilities held for trading	18,920	19,042	-122	-0.6
Financial assets available for sale	807,370	874,584	-67,214	-7.7
Loans to customers	6,325,422	6,439,839	-114,417	-1.8
Equity investments	5,350	5,350	-	-
Property, plant and equipment and intangible assets	190,660	195,280	-4,620	-2.4
Tax assets	130,376	139,679	-9,303	-6.7
Other assets	268,766	347,486	-78,720	-22.7
Total net assets	**7,746,864**	**8,021,260**	**-274,396**	**-3.4**

			Changes	
Liabilities and equity	**31.12.2013**	**31.12.2012**	**Amount**	**%**
Net due to banks	628,655	857,812	-229,157	-26.7
Funding from customers	5,991,917	5,896,328	95,589	1.6
Tax liabilities	36,642	48,341	-11,699	-24.2
Other liabilities	336,833	479,583	-142,750	-29.8
Specific-purpose provisions	58,597	66,818	-8,221	-12.3
Share capital	120,689	120,689	-	-
Reserves (net of treasury shares)	549,878	549,703	175	-
Valuation reserves	-4,851	-16,962	-12,111	-71.4
Net profit (loss) for the period	28,504	18,948	9,556	50.4
Total net liabilities and equity	**7,746,864**	**8,021,260**	**-274,396**	**-3.4**

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2013	31.12.2012
Financial assets/liabilities available for sale	**18,920**	**19,042**
20. Financial assets held for trading	33,480	42,644
40. Financial liabilities held for trading	-14,560	-23,602
Financial assets available for sale	**807,370**	**874,584**
40. Financial assets available for sale	807,370	874,584
Loans to customers	**6,325,422**	**6,439,839**
70. Loans to customers	6,325,422	6,439,839
Equity investments	**5,350**	**5,350**
100. Equity investments	5,350	5,350
Property, plant and equipment and intangible assets	**190,660**	**195,280**
110. Property, plant and equipment	61,704	64,109
120. Intangible assets	128,956	131,171
Tax assets	**130,376**	**139,679**
130. Tax assets	130,376	139,679
Other assets	**268,766**	**347,486**
10. Cash and cash equivalents	64,219	57,232
80. Hedging derivatives	103,346	164,562
90. Value adjustment of financial assets subject to macro hedging (+/-)	533	1,615
150. Other Assets	100,668	124,077
Total net assets	**7,746,864**	**8,021,260**

Liabilities and equity	31.12.2013	31.12.2012
Net due to banks	**628,655**	**857,812**
10. Due to banks	-215,024	-570,374
60. Loans to banks	843,679	1,428,186
Funding from customers	**5,991,917**	**5,896,328**
20. Due to customers	4,162,562	3,933,699
30. Securities issued	1,829,355	1,962,629
Tax liabilities	**36,642**	**48,341**
80. Tax liabilities	36,642	48,341
Other liabilities	**336,833**	**479,583**
100. Other liabilities	214,264	280,055
60. Hedging derivatives	60,130	83,305
70. Adjustment of financial liabilities hedged generically (+/-)	62,439	116,223
Specific-purpose provisions	**58,597**	**66,818**
110. Employee severance benefits	22,232	27,229
120. Provisions for liabilities and contingencies	36,365	39,589
Share capital	**120,689**	**120,689**
180. Share capital	120,689	120,689
Reserves (net of treasury shares)	**549,878**	**549,703**
160. Reserves	78,121	77,946
170. Share premium reserve	471,757	471,757
Valuation reserves	**-4,851**	**-16,962**
130. Valuation reserves	-4,851	-16,962
Net profit (loss) for the period	**28,504**	**18,948**
200. Net profit (loss) for the period	28,504	18,948
Total net liabilities and equity	**7,746,864**	**8,021,260**

Operations with customers

Loans to Customers

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- Current accounts	731,639	836,150	-104,511	-12.5
- Mortgage loans	3,999,652	3,915,425	84,227	2.2
- Advances and other loans	1,203,627	1,362,225	-158,598	-11.6
- Impaired loans	389,993	326,039	63,954	19.6
Loans	6,324,911	6,439,839	-114,928	-1.8
Loans represented by securities	511	-	511	
Loans to customers	**6,325,422**	**6,439,839**	**-114,417**	**-1.8**

Loans to Customers came to €6,325 million, down by -1.8% vs. €6,440 million on 31 December 2012. The decrease in investments and the uncertain economic outlook for businesses caused a drop in demand for loans, which resulted in a decrease in volumes. Mortgage loans were the only item performing against the trend (increasing by €84 million, + 2.2%) and substantiated the Bank's focus on the Community, on households and on the local economy. The implemented lending policy, which provides for careful selection and measurement of lending risk, had no effect on the constant and long-standing proximity to businesses, first to those operating in the sectors with higher resilience to recession, such as the agri-food one. The decrease in loans to Customers concerned both overlimit positions on current accounts, down from €836 million in 2012 to €732 million in 2013 (-12.5%), and advances and loans, down by -€159 million (-11.6%).

Credit quality

Items	31.12.2013			31.12.2012		
	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
- Bad debts	429,058	276,814	152,244	344,833	224,593	120,240
- Substandard loans	231,902	55,711	176,191	212,354	63,129	149,225
- Restructured loans	30,521	2,740	27,781	16,306	1,147	15,159
- Past-due / overlimit loans	35,021	1,244	33,777	42,677	1,262	41,415
Impaired loans	**726,502**	**336,509**	**389,993**	**616,170**	**290,131**	**326,039**
Performing loans	**5,962,550**	**27,121**	**5,935,429**	**6,140,012**	**26,212**	**6,113,800**
Total	**6,689,052**	**363,630**	**6,325,422**	**6,756,182**	**316,343**	**6,439,839**

Items	31.12.2013			31.12.2012		
	Gross Exposure	Total	Net Exposure	Gross Exposure	Total	Net Exposure
- Bad debts	6.4%	2.4%	64.5%	5.1%	1.9%	65.1%
- Substandard loans	3.5%	2.8%	24.0%	3.1%	2.3%	29.7%
- Restructured loans	0.5%	0.4%	9.0%	0.2%	0.2%	7.0%
- Past-due / overlimit loans	0.5%	0.5%	3.6%	0.6%	0.6%	3.0%
Impaired loans	**10.9%**	**6.2%**	**46.3%**	**9.1%**	**5.1%**	**47.1%**
Performing loans	**89.1%**	**93.8%**	**0.5%**	**90.9%**	**94.9%**	**0.4%**
Total	**100.0%**	**100.0%**	**5.4%**	**100.0%**	**100.0%**	**4.7%**

Net impaired loans came to €390 million, increasing by €64 million (+19.6%) vs. the previous year. These accounted for 6.2% of total loans to Customers, vs. 5.1% in 2012. The coverage ratio, that is to say, the ratio of accumulated adjustments and the amount of gross impaired loans, came to 46.3%, slightly decreasing vs. 47.1% of the previous year, even though remaining one of the highest in the reference Banking System. This decrease was due to the significant increase in the mortgage component of the impaired loan portfolio.

Net bad loans increased by €32 million (up by +26.6%) and came to €152 million, accounting for 2.4% of total loans (1.9% in the previous reporting period). The coverage ratio was 64.5%, vs. 65.1% of 2012. Net substandard positions came to €176 million, increasing by €27 million (up by +18.1%). The coverage ratio was 24.0%, vs. 29.7% of 2012. Net restructured loans came to €28 million, vs. €15 million in 2012, their coverage ratio was 9.0% (7.0% in the previous reporting period). Past due/overlimit positions performed against the trend, coming to €34 million, net of write-downs, and decreasing by €8 million (-18.4%). Conversely, their coverage ratio increased to 3.6% vs. 3.0% in the previous year. The coverage ratio of performing loans increased from 0.4% in 2012 to 0.5% in 2013, with a decreasing volumes of gross loans to Customers, also due to the difficulties experienced by the Community of operations as described above (therefore gross performing loans decreased and the portfolio adjustments increased).

Funding from Customers

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- Deposits	752,427	591,138	161,289	27.3
- Current and other accounts	3,293,284	3,195,090	98,194	3.1
- Other items	45,570	41,865	3,705	8.8
- Repurchase agreements	71,281	105,606	-34,325	-32.5
Due to customers	**4,162,562**	**3,933,699**	**228,863**	**5.8**
Securities issued	**1,829,355**	**1,962,629**	**-133,274**	**-6.8**
Total direct funding	**5,991,917**	**5,896,328**	**95,589**	**1.6**
Indirect funding	**5,876,214**	**5,625,486**	**250,728**	**4.5**
Total funding	**11,868,131**	**11,521,814**	**346,317**	**3.0**

Direct funding from Customers came to €5,992 million, up by 1.6% vs. €5,896 million in 2012. Time deposits increased, both in the “Crescideposito più” form and in the “Time Deposit» general form, by a total of €161 million (+27.3%) vs. the previous year. Customers preferred time deposits rather than repurchase agreements, which decreased by €34 million (-32.5%) and rather than medium-term forms, because of the trends in market rates and to the preference for liquid forms. Indeed, outstanding securities performed against the overall trend and did not match their performance in the previous period, decreasing by €133 million (-6.8%) and coming to €1,829 million. The overall increase in funding was driven by liquid assets consisting of current accounts, which came to €3,293 million, posting a €98 million increase (up by +3.1%).

Indirect funding

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- Asset management products	1,493,926	1,163,713	330,213	28.4
- Insurance products	1,971,620	1,808,236	163,384	9.0
Total assets under management	**3,465,546**	**2,971,949**	**493,597**	**16.6**
Assets under administration	**2,410,668**	**2,653,537**	**-242,869**	**-9.2**
Indirect funding	**5,876,214**	**5,625,486**	**250,728**	**4.5**

At market values, indirect funding came to €5,876 million, increasing by 4.5% vs. €5,625 million in the previous reporting period. This was driven by asset management, whose positive performance, as reported ,on the section of this Note on profit and loss, was driven by the bancassurance business and activities for placing common investment scheme products. Assets under management (schemes and managed accounts) came to €1,494 million, up by €330 million vs. the previous year (+28.4%). The insurance investment component had a similar performance, coming to €1,972 million vs. €1,808 million in 2012 (+9.0%). Conversely, assets under administration decreased by 9.2%, i.e. by €243million and came to €2,411 million. This decrease was mainly due to the shifting towards asset management, driven by the increasing appreciation by Customers of the financial products offered by the Group.

Other investments

Available-for-sale financial assets

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- Bonds and other debt securities	773,056	838,168	-65,112	-7.8
- Equity securities and units of collective investment undertakings.	350	627	-277	-44.2
Securities available for sale	**773,406**	**838,795**	**-65,389**	**-7.8**
- Equity investments	33,964	35,789	-1,825	-5.1
Shareholdings available for sale	**33,964**	**35,789**	**-1,825**	**-5.1**
Financial assets available for sale	**807,370**	**874,584**	**-67,214**	**-7.7**

Available-for-sale financial assets came to €807 million, decreasing by €67 million (down by -7.7%) vs. €875 million in 2012. This change was essentially due to the disposals of debt securities made in order to reduce the sensitivity of the security portfolio.

Government securities

Items	31.12.2013		
	Nominal value	Book value	Valution reserves
FVTPL			
Italian government bond	1	1	X
Argentina government bond	20	6	X
AFS			
Italian government bond	647,500	690,258	-9,530
French government bond	50,000	61,868	-650
Total	**697,521**	**752,133**	**-10,180**

Equity investments

Items	31.12.2013	31.12.2012	Changes	
			Amount	%
- Equity investments in controlled companies	-	-	-	-
- Equity investments in joint venture	-	-	-	-
- Equity investments subject to significante influence	5,350	5,350	-	-
Total	**5,350**	**5,350**	**-**	**-**

Equity investments amounted to €5.4 million, unchanged vs. the previous year.

Property, plant and equipment and intangible assets

The Bank's technical investments amounted to €191 million, decreasing by €4 million (down by 2.4%) vs. the previous year. This change was due to depreciation and amortization for the period, whose volume includes the investments made in the year, essentially offsetting them. This item consisted of both operating property, plant and equipment, such as buildings, furniture, technological systems, and 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 with finite useful life (PPA) were tested for impairment, which confirmed that their values were consistent and, therefore, that no writedown was to be made.

Specific-purpose provisions

Items	31.12.2013	31.12.2012	Changes Amount	Changes %
Employee severance benefits	22,232	27,229	-4,997	-18.4
Provisions for liabilities and contingencies	36,365	39,589	-3,224	-8.1
- other provisions	36,365	39,589	-3,224	-8.1
Total specific-purpose provisions	**58,597**	**66,818**	**-8,221**	**-12.3**

Specific purpose provisions came to €59 million, decreasing by €8 million (down by -12.3%) vs. the previous year figure. This change was mainly due to Employees' terminations, which concerned the provision for Employees' severance benefits (down by -€3 million vs. 2012), as well as the other provisions for contingencies and liabilities that were affected by the first payments made to the Italian National Social Security Institute of the cheques referring to the voluntary redundancy scheme, which was implemented in 2012.

Equity and Regulatory Capital

Equity

Items	31.12.2013	31.12.2012	Changes Amount	Changes %
Share capital	120,689	120,689	-	-
Share premium reserve	471,757	471,757	-	-
Income reserves	77,461	77,415	46	0.1
Other reserves	660	531	129	24.3
Valuation reserves of financial assets available for sale	-1,286	-12,442	-11,156	-89.7
Valuation reserves of actuarial gains (losses) pertaining to defined-benefit pension plans	-3,565	-4,520	-955	-21.1
Net profit (loss) for the period	28,504	18,948	9,556	50.4
Total equity	**694,220**	**672,378**	**21,842**	**3.2**

Including profits for the year, equity came to €694 million, increasing by €22 million (up by +3.2%) from €672 million in 2012.
This increase was due to the improvement in profit for the period and to the writebacks of the Government securities classified in the Available-for-sale financial assets. As at 31 December 2013 the Bank portfolio did not include treasury shares or holding company shares.

Regulatory Capital

Supervisory capital and capital ratios	31.12.2013	31.12.2012
Tier 1 Capital	442,554	536,767
Tier 2 Capital	-	176
Deductible elements	-	-
Supervisory capital	**442,554**	**536,943**
Credit Risk	293,575	416,348
Market risk	753	2,144
Operational risk	37,171	38,501
Other measurement elements (*)	-82,875	-114,248
Capital requirements	**248,624**	**342,745**
Excess capital with respect to minimum requirements	**193,930**	**194,198**
Risk-weighted assets	**4,143,738**	**5,712,413**
Capital ratios %		
Core Tier 1 (a) / Risk-weighted assets (Core Tier 1 ratio)	10.7%	9.4%
Tier 1 Capital / Total risk-weighted assets	10.7%	9.4%
Total capital / Total risk-weighted assets	10.7%	9.4%

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

In 2013, for the calculation of the capital requirement for credit risk, the Cariparma Crédit Agricole Group was authorized by the Regulator to use, for Cariparma and Banca Popolare FriulAdria, internal rating systems with an advanced approach (Advanced Internal Rating Based – AIRB - approach), for Retail Exposures (the so-called «Retail Portfolio»). Specifically, for the above perimeter, the following were validated for the AIRB approach:

- the models to estimate the "Probability of Default" (PD),
- the model to estimate the loss rate in case of default "Loss Given Default" (LGD).

This event generated significant effects on the capital ratios as at 31 December 2013, which markedly improved vs. 2012: the capital ratios came to 10.7%.

The developments in the capital ratios resulted from the combined effect of the application of the A-IRB approaches on RWAs and Regulatory Capital, specifically:

- risk-weighted assets (€4,144 million) improved significantly (down by -€1,565 million) vs. the same figure for 2012 (€5,712 million),
- conversely, the Regulatory Capital decreased due to the application of the deduction of the excess difference between the value of 'expected losses' and the value of 'total adjustments'.

Moreover, the calculation of risk-weighted assets and capital ratios did not take account of the 25% reduction provided for under the relevant regulations for banks belonging to a group. Should this 25% reduction have been considered, as done in 2012, risk-weighted assets would amount to €3,110 million and, consequently, the ratios would have been 14.2%.

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

Other information

Italian National Tax Consolidation Regime

In 2013, the option for the tax consolidation regime between the Group Companies as provided for by Article 117 and following ones of the Italian Consolidated Act on Income Taxes (TUIR) was exercised, in order to obtain the advantages, also economic ones, both actual and potential, generated by adopting this regime".

Tax-related disputes

The dispute is still pending against the Agenzia delle Entrate (the Italian Inland Revenue Service) in relation to a Notice of Settlement for Registration Taxes, with which the Inland Revenue Service has requalified, as sale of a company, the transfer of Bank branches in 2007 by Intesa SanPaolo and the subsequent sale by the transferor of the relevant equity investments to Cariparma. The amount of the dispute involving all parties concerned with joint liability on various grounds, in addition to FriulAdria, amounts to over €4 million. In this dispute, a 1st instance Court decision was issued in favour of the Group, which was appealed against by the Italian Inland Revenue Service. Considering the above Court decision and in the light of specific opinions from leading Legal Firms, no provision has been made for the above dispute.

It is reported that, on 6 March 2014, a Notice of Settlement, again regarding registration taxes and on the same grounds, was served referring to a similar transaction carried out in 2011 again with the Intesa Sanpaolo Group, for a total amount payable of approximately €2.2million. The above remarks cannot but be extended to these charges.

In 2013, Banca Popolare FriulAdria was subject to a general inspection by the Italian Inland Revenue Service, which was followed by an Official record of Findings (Italian acronym: PVC). With reference to the alleged findings in the PVC, in order to control dispute-related costs, specific acceptance of findings was filed, thus reducing the subsequent expense to an amount of approximately Euro 0.1 million. The filed acceptance of findings does not include the findings contained in the official record relating to transfer prices with foreign Companies, which might lead to the assessment of taxes for €0.5 million, plus penalties and interest. The findings are deemed groundless, since valid reasons exist supporting the Bank's conduct. Consequently, no provision was made for this issue.

Corporate development lines

Retail and Private Banking channel

Retail Channel

In 2013, Banca Popolare FriulAdria (BPFA) increasingly focused its range of products and services on fully meeting Customers' requirements, who are considered a key factor for sustainable development.

Also 2013 featured economic stagnation. In this situation, FriulAdria continued to be committed to and to enhance its mission as proximity bank focused on its Community of operations. This commitment took the form of loans and mortgages granted to businesses and households.

The overall commercial performance in 2013 also featured a consolidation in the growth in total funding, in order to support the high structural balance standards, as well as present and future profitability.

In 2013, an ambitious project started designed to implement a new Service Model (Mo.Ser), in order to meet the Customers' evolving requirements, ensuring provision of excellent quality services to Customers.

RETAIL CUSTOMERS- Segment summary

The main objective of 2013 commercial initiatives was to continue to provide Customers with high-quality products and services, meeting Customers' actual requirements and maintaining affordable fees.

Customers

In a still complex phase for the Italian economy, featuring a crisis in consumers' confidence in the Italian financial system, Banca Popolare FriulAdria, supported by its long-standing mission as proximity bank, acquired, in 2013, over 18,000 new Retail Customers.

This acquisition was supported, throughout the year, by a plan of dedicated marketing actions (e.g. Member get member "Un amico da Premio").

Teenagers and Young People

Banca Popolare FriulAdria has a range of simple products referring to direct channels, such as Internet and Mobile, which are in line with young people's preferences.

Moreover, commercial agreements that the Group signed with external partners provide for dedicated discounts.

In 2013, the cooperation with Disney continued, which allowed the target of households with children to be focused on with original actions.

Also in the reporting year, FriulAdria continued its commitment to the Financial Education Project promoted by the Patti Chiari Consortium (a consortium of Italian Banks to improve the relationship between banks and customers, transparency and comparability), once again proving its focus on young people, with educational sessions on economic and financial topics for Junior High School students.

Households

In 2013, the Bank set the objective to provide support to households, with solutions designed to meet their requirements.

Mortgage loans. Support to purchase their main home, even in a situation of stagnation in the real estate market in the Triveneto Area, was provided throughout the year, with competitive interest rate and market conditions. Specifically, the advertising campaign for the Home Loan with a 2.50% rate, with a Smeg home appliance item as a gift, gave considerable visibility to the Bank.

In 2013, the cooperation continued with traditional loan brokerage partners, such as Kiron, Auxilia, Mediofimaa, as well as with online loan brokerage partners, such as MutuiOnline, MutuiSuperMarket and Telemutuo. Moreover, new agreements were finalized with important counterparties, such as Mutui Casa Service – Finint Group, Euroansa, Mutui.it.

Dedicated credit lines were set up for property renovation, also entering into agreements with local Authorities (for instance, the Provincial Government of Treviso).

The ongoing economic crisis led to impairment in the economic and financial conditions of many households. In this situation, the Bank's Branches provided important information and advisory service to support Customers experiencing temporary difficulties in managing their debt.

Loans. As regards consumer credit, competitive products were supplied in crucial periods of the year (summer and Christmas season) with easy terms and promotions; specific campaigns were also dedicated to certain target Customers (for instance, the employees of companies under specific agreements) or to the purchase of specific products (cars).

Credit cards. Payment cards were one of the drivers for development and growth in 2013 and were the object of important promotion activities in cooperation with MasterCard and CartaSi, with initiatives dedicated to Customers.

In 2013, within the Moser Project, the "Carta Per Te", the tool to be used in cashless Branches, was launched, to support Customers that do not yet have a debit card in using advanced-function ATMs.

At the end of the year, the new "PaySmart CartaConto" was launched, a «small» prepaid card with IBAN code, which can transform a mobile phone into a user-friendly contactless payment tool.

Wealth Management. Advisory services as are a distinguishing factor, providing Customers with the best possible portfolio asset allocation, based on the specific risk profile and market conditions, using the Personal Financial Planning platform: this was the approach used for managing personal financial requirements of Retail Customers, which, in 2013, was a key component in the Wealth Management business and accounted for a considerable portion of the entire business.

In the year, several meetings with Managers were held (organized in cooperation with Area Mercato and Amundi SGR), dedicated to training and information.

Finally, to be noted is the meeting that was organized in Padua dedicated to Premium Customers called «La bussola degli investimenti» (Investment compass), in cooperation with Area Mercato and Amundi SGR.

SMALL BUSINESS - Segment summary

One of the main objectives of the Small Business segment was to provide support for investments and cash requirements of businesses. To pursue this objective, pre-authorized easy-term loans were made available to over 1,000 Customers of the Bank.

The innovation of products is another key element for the segment business activity. In this perspective, examples of innovative products are «Oltreconfine» (Beyond the Border) - a set of high added-value services dedicated to businesses that operate with foreign counterparties. - and «CresciedepositoPiù Affari» - a deposit account with increasing yield over time, designed to invest company liquidity.

The start-up of agreements with the main loan brokers on the market (including MCS), which will allow new and interesting business opportunities to be developed.

The synergies with Crédit Agricole Leasing generated important initiatives, including the start-up of dedicated training courses that fostered constant focus on Customers' requirements.

Customers. Despite the ongoing difficult economic situation, FriulAdria succeeded in attracting over 3,800 new Small Business Customers, thus substantiating its proximity to local businesses.

Agri-Agro (agri-food) segment. Also in 2013, several initiatives were launched within the agri-food supply chain, substantiating the strong bond between the Bank and its Community of operation.
To be specifically noted is the Second Report on the agriculture and agri-industrial sector in North-Eastern Italy «Feed the Growth», prepared in cooperation with «Fondazione Nord Est» (centre for economic and social studies set up by the Employers' Associations in North-Eastern Italy) and presented in Udine on 19 July 2013.

The Convention, which attracted a large and qualified audience of sector players, was opened by the Chairman of the Bank's Board of Directors, Antonio Scardaccio and by the Bank's General Manager Carlo Crosara, and was attended also by the President of the Friuli Venezia Giulia Region, Ms. Debora Serracchiani and by the Undersecretary of the ministry of Agricultural, Food and Forest Policies, Mr. Maurizio Martino.

NON-LIFE BANCASSURANCE

The synergies with the Group insurance Companies were developed also in 2013, a constant commitment to consolidate the Bank's position as a reference partner for its Customers in the non-Life insurance sector.
In this regard, the very good commercial performance of the «Protezione Infortuni» (Accident Protection) insurance product – the latest inclusion in Crédit Agricole Assurance product range – is to be reported, as well as Customers' appreciation for the products that have been designed to meet the requirements for protection of individuals and households from contingencies.
With regards to Shareholders, the synergies with the Insurance Company allowed exclusive and very competitive rates to be offered to the Bank's Shareholders for Vehicle Liability, Home and Accident insurance, which were at the centre of a packet of banking and non-banking products.
In order to disseminate full-range insurance culture and advisory services, in 2013 a training plan focused on non-Life insurance was completed and involved all FriulAdria Managers: another and important commitment undertaken by the Bank to provide its Customers with ever improving services.

THE NEW SERVICE MODEL: Mo.Ser

In order to respond to the difficult market situation and to the increasingly evolved requirements of Customers, the Group started an innovative program for the development of the Retail Service Model, the Mo.Ser. Project, which has been designed to review and innovate the model for the management of Retail Customers. This Project was started in October involving the central Department for the FriulVeneta Area of operations and was completed in November with the other two central Departments for the Management of Areas of operations (the roll-out will be completed in 2016). The new Service Model is based on innovative specifications for the reception of Customers and has been designed to focus on the Customer-Bank relation. Streamlining, safety and promptness are the innovation keys of the new facilities that have been made available to Customers.

Mo.Ser. consists of three modules: «Agenzia Per Te» (the Branch for You), Branch Groups and the Small Business Centre.

«Agenzia Per Te» is a new-generation high-technology Branch model, based on reception and welcoming concepts, where user-friendly and safe tools have replaced the traditional «cashier counters» in order to ensure optimization of response times and operation 24 hours a day and 7 days a week;

The Branch Groups are the new structure of the Distribution Network and have been designed to ensure higher commercial effectiveness, organizational efficiency and extensive risk management.

The Small Business Centre is the centre for the management of Small Business and Small Enterprise Customers with evolved requirements and is the result of the Bank's commitment to provide a service meeting, in the best possible way, the various requirements of the Small Business segment Customers.

2014 GUIDELINES

In 2014, the business operations of the Retail channel will focus on three main strategic pillars, covering all segments, which can be defined as Development, Penetration and Relationship.

The development pillar will have the main objective of acquiring new Customers, with specific focus on young people and on developing new products and services to consolidate FriulAdria's position as reference bank for "excellent" market segments.

The market penetration objective will be pursued by retaining Customers with the provision of services that are increasingly in line with the Customers' requirements, thus consolidating our position as reference Bank.

The relationship pillar will focus on the enhancement of customized advisory services in a life cycle perspective. The relationship strategy will be implemented also with high added value partnerships with Confidi/Mediocredito Centrale (Italian mutual loan-guarantee consortia).

Private Banking Channel

In 2013, the financial markets achieved positive performances, despite the difficult economic situation, featuring a modest growth of the global economy.

This dyscrasia, which favours financial assets, was possible thanks to the Central Banks' expansive monetary policy, which led to further decrease in interest rates at a global level.

The positive performance of equity and bond markets, even though in a volatile situation, contributed to an increase in funding from asset management products, increasingly appreciated by Customers, in order to achieve positive real yields in a situation of portfolio diversification and risk control.

In this difficult market situation, FriulAdria Private Banking Channel succeeded in achieving a positive performance, thanks to the strong development action that was implemented both externally and internally, which led to an increase in the Customer base (up by +0.2% vs. 2012) and to the subsequent stabilization of total funding (-0.3% vs. 2012).

Just as significant was the action for the optimization of portfolio asset allocation and for the requalification of Assets Under Management, which led a very good performance in placing asset management core products (Asset Management up by +20% vs. 2012, of which the Insurance segment accounted for +30%).

Therefore, the performance of volumes and their requalification generated an appreciable increase in revenues vs. the previous period, which largely exceeded Budget expectations.

Moreover, in 2013 important changes were made to the structure of the Private Banking distribution network of FriulAdria, which went from an approach entailing the management of the "Individual" relation to a "Team" approach, with training provided to all the Network resources throughout the phases of the New Organizational Model (Change Management).

The objectives of this important change were:

- To improve and enhance full-scale knowledge of Customers;
- To improve service level;
- To improve the commercial effectiveness of the Network;
- To improve control on compliance matters.

This important project had a strategic value in achieving the Channel's objectives and allowed the professional growth of the Resources engaged in the Private Banking Network, who succeeded in combining commercial effectiveness with efficiency in controlling compliance matters.

Finally, constant monitoring of operational risks was arranged and performed by the team of the Manager in charge of operational risks for the Private Banking Channel, in order to effectively control risks to which the Group is exposes in ordinary operations and consistently with the directives of the Controlling Company Crédit Agricole.

Enterprise and Corporate channel

FriulAdria Enterprise and Corporate channel is dedicated to companies with turnover higher than Euro 5 million.

A business and governance direction line that pursues income balance and proper capital allocation generated good performances, both in terms of market share and increase in profits.

In balance sheet terms, in 2013 loans to Customers posted a slight decrease in volumes. The short-term component is the one that was most affected by the economic situation, while the medium-/long-term component increased by 9% YOY. Moreover, risks were constantly monitored and managed; targeted development actions were implemented with regard to strategic sectors and segments, such as the agri-food, mechanical, pharmaceutical and manufacturing sectors.

Direct funding performed well once again, up by +7%, especially increasing in the short-term component.

As to income statement data, in 2013 revenues posted an appreciable increase, mainly due to the increase in net interest income, which offset the decrease in commission income.

The close cooperation with the product companies Crédit Agricole Leasing Italia and Crédit Agricole Commercial Finance generated an increase in sales leads and, subsequently, a YOY increase, of 50% in leases and of 53% in the factoring segment.

In 2013, the new commercial approach was consolidated, aimed at higher direct interaction with Customers, at improving the service quality and at maximizing comprehensive income from the business over a medium-/long-term time horizon.

The main initiatives implemented in 2013 include the cooperation agreement with SACE Fct (the factoring company of the SACE Group, the Italian state-owned export credit agency) to allow easier access to factoring services to companies that are suppliers to the State, in order to support their liquidity requirements and improve cash flows management.

At a local level, important actions were implemented concerning the social and economic fabric, such as the creation of provincial "Tavoli di Ascolto" (meetings to listen to stakeholders), where the Bank's Top Management met the representatives of Trade Associations to listen to the requirements of the productive base and to subsequently provide suitable proposals in response.

In April 2013, the "Finance and Credit Project for Enterprises in the Province of Pordenone" started, with the participation of the Provincial Government and of local Trade Associations (Unindustria, Confartigianato, Confcommercio, Coldiretti, Confcooperative): FriulAdria, the partner Bank, provided a targeted bond and new credit lines for a total amount of Euro 50 million for the Enterprises based in the Province. This initiative ended on 31 December 2013, having supplied new credit lines for over Euro 50 million.

With the objective of streamlining the understanding and use of the new SEPA services, in June and July a number of dedicated meetings with Customers were organized in order to allow them to safely carry out the migration to the new SEPA platform and to ensure business continuity starting from 2014. Again in the collection and payment area, particular care was given to the structuring of added-value SEPA-compliant services and products, as well as of the Creditor Mandates Management service. A new integrated Corporate Banking platform and an improved Cash Management/Cash Pooling service are currently being developed and will be activated in 2014.

The Bank's staff and organization

The Bank continued to evolve in terms of organization, in line with the Parent Company's governance and development strategies. Specifically, the project to outsource back-office activities continued, the departments engaged in risk control and management were strengthened (with particular focus on credit risk), the review of the Service Model for the Retail channel (MoSer) was started by setting up the Branch Groups and the opening of 5 "AgenziePerTe", ensuring that all communication, training and support activities relating to this change were carried out.

The network was rationalized also in geographical terms with the closure of 5 facilities and the transformation of 17 branches into small branches with low staff number, of 2 Private Banking Centres and 1 Enterprise Centre into sub-units.

As at 31 December 2013, the organizational units of the Distribution Network were a total of 214, of which 199 Retail branches, 7 Enterprise Centres, 5 Private Banking Centres and 1 Corporate Area.

In addition to initiatives aimed at the personal development and enhancement of resources, as well as at internal listening and communication, effective control of staff expenses was a focus, which led to significant achievements in terms of decrease in additional services and in expenses relating to mobility. In this regard, based on the agreements with the Trade Unions signed in 2012, the implementation of the Voluntary Redundancy Scheme with a Solidarity Fund has given the possibility to employees being eligible for pension or becoming eligible in the next few years to terminate their employment voluntarily and with incentives: for FriulAdria in 2013 this scheme concerned 90 Employees, which added to 43 that left in 2012.

As at 31 December 2013, the Bank staff consisted of 1,672 employees (of whom 33 seconded at other Banks in the Group), with median age of 45.5, median seniority in service of 19.9 years; 41.7% of staff consisted of women. 99.8% of staff consists of employees with an indefinite employment contract, 33.2% of staff are university graduates and 25.8% of responsibility roles are held by women. Part-time staff accounted for 12.8% of total employees entitle to part-time arrangements.

In 2013, net of transfer of contracts, 4 recruitments and 40 termination of contracts were made.

Focus on training was significant, with 10,477 training days supplied in 2013, which involved 96.5% of the 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. Significant investments were made in behavioural training for the new roles created with Mo.ser and for Customers Assistants.

With regard to safety and the environment, the activities pursuant to Legislative Decree No. 81/2008 continued, with safety training and removal/mitigation of remaining risk factors.

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, also in 2013, 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.

Finance

The Cariparma Crédit Agricole Group focussed on three main guidelines with regard to assets/liabilities balances:

- Management of interest rate risk;
- 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 regards liquidity, the System showed the stabilization of the conditions that characterized recent years, with a slightly and progressively decreasing trend in the cost of liquidity, which has however remained higher in the domestic market.

The implemented prudential management continued to focus on the increase of reserves, through the issue by the Parent Company, in July, of a self-held Covered Bond, to which FriulAdria also contributed. Close cooperation with sales departments continued aimed at effective management of maturities and of their concentration.

Capital management focused on the measurement of prospective impacts of the regulatory implementations associated to Basel 3 requirements, as well as on the subsequent developments, taking account both of the transition to advanced methods for Retail Credit Risk and of the uncertainties on the timeframe for the implementation of the new regulations, which have not yet been finalized.

Risk management

Objectives and policies on risk taking, management and hedging

1. Summary of the mechanism, perimeter and roles

The Cariparma Crédit Agricole Group attaches great relevance to risk measurement, management and control, in order 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 key principles at the basis of risk management and control are the following:

- clear identification of risk-taking responsibilities;
- measurement and control systems in line with the best solutions adopted at an international level;
- organizational separation between operating and control roles.

The perimeter including the risks detected, monitored and integrated, (considering diversification benefits) in the economic capital, is as follows:

- credit and counterparty risks; this category also includes concentration risk;
- market risk of the Trading Book;
- price risk of the Banking Book;
- Interest Rate Risk of the Banking Book;
- liquidity risk;
- exchange rate risk of the Banking Book;
- operational risk.

As a rule, the Cariparma Crédit Agricole Group reviews annually 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 subsidiary Banks.

Moreover, risk management is ensured also by specific Committees, including:

- the Internal Control Committee, which coordinates departments engaged in control functions (Audit, Compliance, Risk Management and Permanent Controls), as well as the combination of internal control bodies, in compliance with the procedures adopted by Crédit Agricole at Group level;
- the 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 Credit Risk Committee, which performs analyses and measurements, steers the risk strategy in the management and monitoring of global and operating lending limits;
- the ALM and Financial Risks Committee, which is engaged also in monitoring and control of all issues relating to financial risks (market, liquidity, interest rate, exchange rate and counterparty risks for market transactions);
- the Group Compliance Committee, which analyses the present status of the relevant legislation and makes proposals for any correction measures.

Departments engaged in control functions, based on their responsibilities, take part also in other management Committees, including the Group New Assets and Products Committee the Group Investment Committee, the Credit Committee of FriulAdria and the Credit Monitoring Committee of FriulAdria.

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 focusing on the process operativeness, that is to say its fitness to achieve the set objectives (effectiveness) and its ability to achieve them at consistent costs (efficiency).

With its Risk Strategy, the Cariparma Crédit Agricole Group confirmed that one of its priority objectives is a controlled growth that, in the present economic situation, focuses on less risky Customer segments, as well as on maintaining a balance between funding and lending and on control of the cost of credit risk.

Also in 2013, the constant monitoring of the loan portfolio quality was pursued 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 mitigation of credit risk, funding and the subsequent management of sureties were especially focused on, in particular regarding value updating.

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.

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 limits and control of the causes that led to any change in the counterparty's risk profile.

Interest Rate risk and Price risk of the Banking Book

The Asset Liability Management (ALM) concerns the Banking Book positions and focuses on fixed-rate ones. 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 delegates the management of interest rate risk to the Central Finance Department that, through the Financial Management Department of Cariparma, manages this risk for the entire Italian banking group, in compliance with the guidelines set down by the Crédit Agricole S.A. Group The Risk Management and Permanent Controls Department iis responsible for independent control of the interest rate risk management system, by assessing its compliance with the risk measurement model defined based management and regulatory requirements.

Global limits on banking book price risk are defined on the basis of the type of instruments that can be held (Italian, German, and French Government Bonds); they are expressed with reference to the maximum nominal value that can be held and to a stress limit. In compliance with the Group regulations, the entire portfolio is subject to micro-hedge for interest rate risk and amounts to, in a strategic perspective, a liquidity reserve portfolio.

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 2013, the Group upgraded its system for liquidity risk monitoring, combining it with the internal limits and controls structure. The works regarding Basel 3 indicators (Liquidity Coverage Ratio and Net Stable Funding Ratio) are carried out and coordinated by the Parent Company and, consistently with the regulatory guidelines, the cost of liquidity is monitored and integrated into the Internal Transfer Rate system.

The governance model adopted by the Cariparma Crédit Agricole Group delegates the management of liquidity risk to the Central Finance Department that, through the Financial Management Department (DGF) of Cariparma, manages this risk for the entire Italian banking group, in compliance with the guidelines set down by the Crédit Agricole S.A. Group. The Risk Management and Permanent Controls Department is responsible for controlling liquidity risk, again in compliance with the guidelines issued 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 limit structure is completed by a set of management and early warning indicators which allow detection of, for instance, the performance of the availability of reserves that can be immediately marketed and are eligible with the Central Bank.

In July, the first issue of the Covered Bonds on a pool of mortgage loans of the Group Banks, with the same objective as the Abaco procedure, through which loans can be pledged with the Bank of Italy in order to obtain liquidity, again to increase the available reserves.

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, consistently with the Group policy, operates in the sale of "over the counter" (OTC) derivative products to the different Customer segments, with a specialist team supporting trading activities. Intermediated derivatives are hedged back-to-back in order to be immunized from market risk. Credit Support Annex (CSA) agreements have been signed with the main market counterparties, in order to mitigate total exposure, while counterparty risk on Customers has not been mitigated.

The Banks aims at meeting the requirements of 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 prudential regulations, the classification of market risk is generally reviewed annually within the Group's Risk Strategy and is submitted for approval to the Board of Directors of the Parent Company and to the Group Risk Committee of Crédit Agricole S.A.

Operational risks

The adopted definition of operational risk is that set down in the document "Basel 2 - International Convergence of Capital Measurement and Capital Standards" issued by the Basel Committee on Banking Supervision, according to which it is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition encompasses legal risk, which includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, 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;
- fine-tuning of the permanent controls systems and extension of the coverage of the same controls within the company 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 structured and traceable of control plan. 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 mechanisms that are functional to the pre-set objectives, respectively, are operational:

- Operational Risks Managers (ORM), having 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;
- Persons in charge of Operating Controls, 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 Interdepartmental Working Group for the Provision of Outsourced Essential Services (Italian acronym: PSEE), having the task of monitoring and deciding on any problems relating to outsourcing of services 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

Since its entry in the Crédit Agricole S.A. Group, 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 Bank of Italy's supervisory provisions and implementing the guidelines issued by the Controlling Company Crédit Agricole S.A., as well as the Board of Directors' resolutions, the Group uses an internal controls system that aims at providing constant control of operational risks, as well as at ensuring that control activities are adequate to the Group's organization and that the relevant reporting is reliable, accurate, trustworthy and prompt.

The internal controls systems involves the Corporate Bodies, the roles and departments engaged in control functions, the Supervisory Body, which was set up pursuant to Legislative Decree No. 231/2001, the Independent Auditors, the Top Management and all corporate structures.
The analysis and monitoring of operational risks are carried out based on the Group taxonomic references, which provide for verification of compliance with the terms set down by the legislation, reliability of processes and of their exercise, security, conformity, as well as application of best practices for controls.
The controls system consists of the following:

- Permanent Control, which includes 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 that is carried out by the Audit Department on a periodic basis through remote and on-site verifications, as well as through documentary checks.

Moreover, constant adjustments and upgrading are made for continuous compliance with any new developments in the relevant legislation, as well as with existing regulations, which also enhances coverage through specific policies that are implemented at Group level.

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 and the performances of risk measurement systems,
- maintenance of their proper operation over time,
- that the defined systems are actually used in the different management scopes.

The Group Validation Unit is part of the Risk Management and Permanent Controls Department of Cariparma. Independent assessment is ensured also by the verifications performed by the Department responsible for third-level controls. The activity of the Validation Unit is governed by a specific Policy, which sets down its work methods, perimeter of action, any materiality thresholds for its verifications, as well as the process for communication and control of evidence and the relating remedial actions.

Basel 2/ Advanced IRB Approach

In 2013, the Cariparma Crédit Agricole Group was authorized to use internal rating systems, with an «advanced» approach (Internal Rating Based – Advanced) to quantify the credit risk capital requirements for Cariparma and Banca Popolare FriulAdria regarding Retail Loan Exposure(the so-called "Retail portfolio").

Specifically, for the above perimeter, the following were validated for the IRB approach:

- the models to estimate "Probability of Default" (PD),
- the model to estimate the loss rate in case of default "Loss Given Default" (LGD).

As regards the "Exposures to Companies" (i.e. Corporate Customers), consistently with the strategic guidelines issued by the Parent Company Crédit Agricole S.A., the Cariparma Crédit Agricole Group is currently examining the actions required to have the use of advanced approaches authorized also for this exposure class.

The choice of the IRB Permanent Partial Use (PPU) for all exposures referring to the subsidiary Crédit Agricole Leasing (hereinafter referred to as CALIT) was made considering the low materiality of the sizes of its portfolio, as well as the specificity of CALIT core business within the Cariparma Crédit Agricole Group.

The risk measurement system is fully integrated in decision-making processes and in the management of corporate operations: the rating system has long been playing an essential role in loan granting, in risk management, in the internal allocation of capital and in the Bank governance, also contributing to ensure risk prevention and mitigation. In order to ensure that lending and credit risk measurement processes are essentially harmonized, the internal models are used by all entities in the Cariparma Crédit Agricole Group (i.e Cariparma S.p.A., FriulAdria S.p.A., Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l.).

Rating systems are used in the main phases of the lending value chain. With specific reference to the processes for loan granting and monitoring, the management use of the rating system consists of:

- (lending policies) the set lending policies govern the procedures through which the Banks and the Companies in the Cariparma Crédit Agricole Group lend and manage credit risk;
- (loan granting) the measurement of creditworthiness upon the first loan granting and upon review/change in loans granted, as well as for giving decision-making powers on loan granting;
- (loan monitoring) the use of PD based on performance analysis, combined with other variables to monitor performance, in order to detect and remedy non-performing positions before they are classified as defaulting;
- (collective writedown) the Bank's approach for collective/writedown impairment provisioning for performing loans uses Basel II metrics to calculate the provision (PD and LGD), as well as to identify sensitive loans subject to impairment;
- (Bank's reporting) the use of risk measurements produced by the model in the Bank's reporting.

Lending value chain and experience requirement

1 Lending Policies

- *Integrated Rating Systems (PD) to identify policies for development towards creditworthy counterparties*

2 Granting and Renewing Loans

- *Rating Systems linked to the decision-making powers systems*

3 Management and Monitoring

- *Performance Monitoring Systems based on «performance» PD and on a set of additional indicators*

4 Other Processes

- **Loan reporting.** Periodic preparation of Reports on Credit Risk performance, using the Basel 2 risk parameters (PD, LGD)
- **Accounting and Financial Reporting.** Use of the Basel 2 risk parameters for collective writedowns

This full integration in the lending management processes allows the creation and development of internal models supporting the measurement of creditworthiness, which measure, at a statistically objective standard, the probability of default of counterparties (Retail).

In 2013, lending, control and organizational processes were systematized by:

- strengthening internal controls, with specific reference to first-level controls (consolidation of Data Quality controls) and to second-level ones (Validation and Control of Regulatory Requirements);
- systematizing, with an organic framework, all reference regulations (i.e. use of rating in loan granting processes, use of rating in monitoring metrics, collective/writedown/ impairment provisioning logics with statistical parameters).

By quantifying mandatory capital requirements with internal systems, the management of regulatory capital could be optimized, allowing a “weighted” analysis of the loan portfolio and “aware” development considering the risks taken), as well as allowing better planning of loans and of credit in the medium-/long-term.

Finally, more effective assessment of risks allows better disclosure and, consequently, better transparency in communications, which is crucial to meet the requirements of the various stakeholders of the Bank.

Outlook

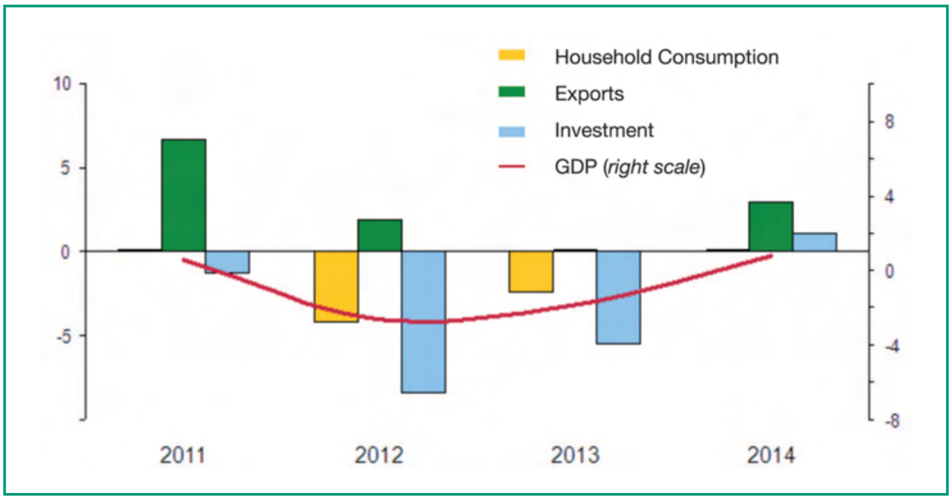
GENERAL ASPECTS

According to the most recent estimates, after a modest growth in 2013 (GDP for 2013: +2.9% YOY), the gross world product is expected to recover in 2014 coming to +3.6% YOY. Activities are expected to grow at different rates in the various economies: at higher rates in the United States (+2.8% YOY), in Japan (+2.2% YOY) and in the United Kingdom (+2.1% YOY), at lower rates in the Euro Area (+1.0% YOY). On the other hand, in the main emerging economies, product performance is expected to be more lively, improving compared with the previous year.

In 2014, for the Euro Area, the recovery that established at the end of 2013 is expected to continue, even though with a still modest growth of GDP, up by +1.0% YOY, mainly driven by the positive performance of net exports, which is expected to generate a new cycle of investments, with positive consequences on employment and households' consumption. However, European domestic demand is expected to remain fragile and vulnerable to various factors, such as, for example, budgetary policy, which is expected to remain restrictive, and the USA monetary policy, which is expected to be set on a less expansionary tone.

In this situation, the European Central Bank will have no other option than to renew its commitment to maintain favourable monetary policy conditions until the recovery fully establishes, keeping interest rates at the present minimum levels. In autumn 2014, the comprehensive assessment of European Banks is scheduled for completion and the European Central Bank will fully take on its task as the single supervisor of Euro Area Banks, which will amount to the first pillar of the European Banking Union.

Italy: GDP components (%, YOY)



In Italy, after a long recession phase, which started in the third quarter of 2011, the economic activity will return to grow in 2014, with an estimated YOY increase in the GDP of +0.8%. The expected recovery will be driven by international demand, whereas domestic demand will return to grow, but at weaker rates.

Exports are expected to accelerate significantly (up by +3.0% YOY), thanks to the established growth of the main advanced economies and to the expected improvement in demand in the Euro Area.

The improved outlook for growth will generated also a modest recovery in total investments (up by +1.1% YOY), which are also expected to benefit from the settlement of accounts payable by State Bodies.

After decreasing significantly in 2013, households' expenses are expected to gradually recover in 2014, even though their overall growth is expected to be close to zero, due to the persistent difficulties in the labour market and to restrictive budgetary policies. The progressive improvement in purchasing power will go along with an increase in households' propensity: this will reflect both precautionary purposes, associated to the remaining uncertainties in terms of income and employment, as well as the requirement to restore savings and wealth that were eaten away during the crisis.

Employment is expected to gradually recover in 2014; however, the increase in the number of people looking for a job will generate a considerable increase in the unemployment rate, which may come to 13,0% in 2014. The labour market weakness will curb any pay increase. Consequently, pressures on prices will remain weak, with an inflation rate that is expected to remain overall lower than 2% also in 2014, despite the effects of the increase in VAT rates implemented at the end of 2013.

Moreover, the development in the Italian economy will be closely linked to the coming budgetary measures: the objective, as stated by the Italian Government, is to focus on supporting the economy, but the requirement to limit action to rebalancing income and expenses in order to comply with the set budget constraints, is generating uncertainties on the possible impacts of these measures.

Considering this situation, the primary surplus is expected to stop growing in 2014, with a decrease in tax pressure and the weight of government debt on GDP coming to approximately 3%.

The features of the macroeconomic scenario as expected for 2014 will not allow the difficulties that are impacting on the banking system to be overcome in the medium-term; therefore, the banking system will, most likely, need to implement structural measures in order to return to pre-crisis levels.

The long recession phase is expected to continue to impact households' ability to save and businesses' ability to invest - even though they are expected to improve slightly - curbing the development of total funding. In 2014, banking funding is expected to post a modest increase (+1.4% YOY) , driven by the short-term component (up by +2.7% YOY) and loans will return to grow, even though at still low rates (+1.4% YOY).

In economic terms, in 2014 a modest recovery in net interest income is expected (up by +2.1% YOY), despite a weak development of total funding and the cost of funding that will tend to curb the widening of the net interest spread. Also in 2014, the development in revenues will be supported by the good performance of net commission income (up by +4.2% YOY), specifically in the intermediation and asset management segments.

The main issue will be once again the riskiness of loans: also in 2014, a high amount of adjustments of loans is expected (€20.8 billion at a system level), which will absorb nearly all net interest income from lending to Customers.

In this situation, a key driver to return to profitability will again be the reduction in operating expenses: for this purpose, actions will continue for structure rationalization and review of the service model, in order to make it less expensive and more focused on Customers' requirements. Therefore, operating expenses will decrease also in 2014 (down by -2.7% YOY), thus fostering progressive improvement of the cost/income ratio.

Overall, in 2014, the performance of the Italian Banking System is expected to improve: the system's gains are expected to come to Euro 3.5 billion in 2014, with a still modest, even though increasing, return on equity (ROE is expected to come to 1.2%).

Friuli Venezia Giulia

The latest forecasts for 2014 expect the GDP of the Region to recover, with an expected increase of +0.9% YOY. This improvement will be driven by the expected recovery in exports (up by +2.9% YOY) and in investments (up by +1.3% YOY), whereas, households' consumption is expected to continue to stagnate (+0.2% YOY). For 2014, a slight recovery in households' available income is expected, while the labour market conditions will remain difficult, with the unemployment rate at the same levels as in 2013.

[5] Source: Prometeia Banking Sector Forecast October 2013

Veneto

For 2014, the GDP is expected to increase, even at a modest rate, (up by +0.9% YOY). This improvement will be supported by an increase at a more consistent rate of exports (up by +3.6% YOY) and by a recovery in investments (up by +1.2% YOY), while households' consumption is expected to remain unchanged vs. the previous year (+0.2% YOY), despite the expected increase in spendable income. As regards the labour market, for 2014 the expected unemployment rate is 7.6%, slightly lower than in 2013.

Significant events occurred after the reporting date

For Banca Popolare FriulAdria, from the end of 2013 to the date of approval of this report, no such events occurred as to significantly affect the Bank's structure and its profit for 2013.

Research and Development

No research and development activities were performed in the year.

Risks and uncertainties

The policies for the monitoring, management and control of risks, operational, credit and market ones, in the multiple aspects provided for also by the applicable legislation and regulations, both primary and secondary, to which the Bank is exposed, as a lender subject to regulatory supervision, are still key and priority principles on which Banks will have to prove their effectiveness, both towards competitors and towards domestic and international markets, which are increasingly difficult to forecast and uncertain, as well as highly volatile.

For exhaustive reporting on the risks and uncertainties to which the Bank and the Group it belongs to are exposed and on the techniques adopted for their mitigation, reference is made to other sections of this Note to the Financial Statements; in compliance with the provisions also of the Italian Civil Code, at Article 2428, as well as by Bank of Italy Circular No. 263/2006 as updated, in this regard, it cannot but be reasserted what was reported in the previous periods, that is to say, the constant focus that has been placed for years by the Bank, by the Group and by its management on the monitoring of risks and uncertainties; this also amounts to the response to and implementation of the countless and important recommendations that the relevant Authorities (national and international) have issued and are issuing on this matter.

The Bank Governance Bodies are fully aware, and today more than ever, that sustainable development and growth cannot but be based also on effective analysis of the risks to which the Group is exposed and of the relating uncertainties in terms of impacts that risks may have on the Group equity, financial position and performance, as well as on their management and mitigation to acceptable low levels, and this in order to protect that precious resource that generates growth and development, that is to say, savings, and along with them, Customers' confidence on the one hand, and loans (performing and drivers of growth) on the other.

In compliance also with the legislation provisions, both specific for the sector in which the Bank operates and civil and financial law provisions, the current national and international economic situation (financial and real economy) in general is deemed such as to require real and monetary policy measures to be implemented by Supranational and State Government Authorities, (aimed at boosting the present weak recovery), as well as adequate policies to constantly strengthen the monitoring of risks and uncertainties by financial players, such as those implemented by the Bank.

Financial players are well aware that they need to constantly implement growth and development policies that must focus also on the protection of the interests of all stakeholders, without failing to perform, for this reason, the institutional role that the Group has, both in terms of support to the economic and social fabric of its Customers, and in terms of enhancement of the value of that key factor for development and growth which is effective and prudential management of savings.

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 the Management of Transactions with Related Parties of FriulAdria and Connected Parties of the Cariparma Crédit Agricole Group”, is reported in Part H of the Note to the Financial Statements, to which reference is made.

In 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 2013, 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 28,503,697 is as follows:

to the provision for charity and support of social and cultural projects	800,000
to the shareholders in the amount of Euro 1.01 for each of the 24,137,857 ordinary shares	24,379,236
to extraordinary reserve	3,324,461

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	46,436,971
Valuation Reserves	-4,850,926
Reserve pursuant to Legislative Decree 124/83	19,849
Other reserves	10,850,506
Total capital and reserves	669,040,838

Pordenone, Italy, 12 March 2014

The Chairperson of the Board of Directors

Antonio Scardaccio

Financial Statements

» ASSETS

Assets		31.12.2013	31.12.2012
10.	Cash and cash equivalents	64,219,457	57,232,077
20.	Financial assets held for trading	33,479,610	42,643,765
30.	Financial assets carried at fair value	-	-
40.	Financial assets available for sale	807,370,403	874,583,733
50.	Financial assets held to maturity	-	-
60.	Loans to banks	215,023,785	570,373,541
70.	Loans to customers	6,325,422,210	6,439,838,719
80.	Hedging derivatives	103,345,927	164,562,223
90.	Value adjustment of financial assets subject to macro hedging (+/-)	533,005	1,614,640
100.	Equity investments	5,350,000	5,350,000
110.	Property, plant and equipment	61,704,304	64,108,597
120.	Intangible assets	128,955,776	131,170,846
	of which: goodwill	*106,075,104*	*106,075,104*
130.	Tax assets	130,376,126	139,678,913
	(a) current	48,625,398	57,809,307
	(b) deferred	81,750,728	81,869,606
	b1) of which: Law 214/2011	62,377,021	53,332,261
140.	Non-current assets or groups of assets being divested	-	-
150.	Other Assets	100,666,501	124,077,189
TOTAL ASSETS		**7,976,447,104**	**8,615,234,243**

Liabilities and shareholders' equity		31.12.2013	31.12.2012
10.	Due to banks	843,679,070	1,428,185,796
20.	Due to customers	4,162,562,072	3,933,699,196
30.	Securities issued	1,829,354,646	1,962,628,902
40.	Financial liabilities held for trading	14,559,899	23,602,250
50.	Financial liabilities carried at fair value	-	-
60.	Hedging derivatives	60,129,749	83,305,089
70.	Value Adjustment of financial liabilities to macro Hedging	62,439,277	116,223,442
80.	Tax liabilities	36,642,046	48,340,894
	a) current	29,593,364	38,675,626
	b) deferred	7,048,682	9,665,268
90.	Liabilities in respect of assets being divested	-	-
100.	Other liabilities	214,263,654	280,050,776
110.	Employee severance benefits	22,231,647	27,229,100
120.	Provisions for liabilities and contingencies	36,364,970	39,589,120
	a) retirement and similar liabilities	-	-
	b) other provisions	36,364,970	39,589,120
130.	Valuation reserves	-4,850,926	-16,961,784
	Redeemable shares	-	-
140.	Equity instruments	-	-
150.	Reserves	-	-
160.	Down-payments on dividends (-)	78,120,722	77,946,406
165.	Share premium reserve	-	-
170.	Share capital	471,757,296	471,757,296
180.	Treasury shares (-)	120,689,285	120,689,285
190.	Net profit (Loss) fot the period (+/-)	-	-
200.	Utile (Perdita) d'esercizio (+/-)	28,503,697	18,948,475
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,976,447,104**	**8,615,234,243**

» INCOME STATEMENT

Items		31.12.2013	31.12.2012
10.	Interest income and similar revenues	240,136,924	268,022,709
20.	Interest expense and similar charges	(79,703,973)	(89,606,152)
30.	**Net interest income**	**160,432,951**	**178,416,557**
40.	Commission income	115,101,646	118,109,236
50.	Commission expense	(3,832,374)	(3,985,958)
60.	**Net commission income**	**111,269,272**	**114,123,278**
70.	Dividends and similar revenues	142,112	380,678
80.	Net gain (loss) on trading activities	2,551,912	3,801,140
90.	Net gain (loss) on hedging activities	2,109,516	2,087,795
100.	Gain (loss) on disposal or repurchase of:	15,335,401	(62,953)
	a) loans	-	-
	b) financial assets available for sale	15,024,355	151,690
	c) financial assets held to maturity	-	-
	d) financial liabilities	311,046	(214,643)
110.	Net gain (loss) on financial assets and liabilities carried at fair value	-	-
120.	**Gross income**	**291,841,164**	**298,746,495**
130.	Net impairment adjustments of:	(53,676,512)	(51,567,229)
	a) loans	(52,273,109)	(50,815,991)
	b) financial assets available for sale	(371,389)	(709,902)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(1,032,014)	(41,336)
140.	**Profit (loss) from financial operations**	**238,164,652**	**247,179,266**
150.	Administrative expenses:	(218,559,301)	(248,431,279)
	a) staff expenses	(109,981,823)	(137,515,315)
	b) other administrative expenses	(108,577,478)	(110,915,964)
160.	Net provisions for liabilities and contingencies	(2,567,221)	(3,328,899)
170.	Net adjustments/writebacks of property, plant and equipment	(4,856,994)	(5,318,131)
180.	Net adjustments/writebacks of intangible assets	(2,215,070)	(2,215,175)
190.	Other operating revenues (expenses)	43,877,168	36,996,852
200.	**Operating expenses**	**(184,321,418)**	**(222,296,632)**
210.	Gain (loss) on equity investments	-	(316,620)
220.	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	14,478	22,614
250.	**Gain (loss) before tax on continuing operations**	**53,857,712**	**24,588,628**
260.	Income tax for the period on continuing operations	(25,354,015)	(5,640,153)
270.	**Profit (loss) after tax on continuing operations**	**28,503,697**	**18,948,475**
280.	Profit (loss) after tax of groups of assets/liabilities under disposal	-	-
290.	**NET PROFIT (LOSS) FOR THE PERIOD**	**28,503,697**	**18,948,475**

» STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2013	31.12.2012
10.	**Net profit (loss) for the period**	**28,503,697**	**18,948,475**
	Other income after tax	-	-
20.	Property, plant and equipment	-	-
30.	Intangible Assets	-	-
40.	defined-benefit plans	954,633	-2,515,135
50.	Non-current assets being divested	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other income components net of taxes with reversals to Income Statement		
70.	Hedging of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Available-for-sale financial assets	11,156,225	56,241,251
110.	Disposal groups	-	-
120.	Share of Valutation Reserves on equity investments accounted for using the equity method	-	-
130.	**Total other income components after tax**	**12,110,858**	**53,726,116**
140.	**COMPRENSIVE INCOME (VOCE 10+130)**	**40,614,555**	**72,674,591**

» STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

	Share capital: ordinary shares	Share premium reserve	Reserves: income	Reserves: other	Valutation reserves	Net profit (loss) for the period	Equity
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**
Allocation of net profit for previous period							
Reserves	-	-	45,082	-	-	-45,082	-
Dividends and ather allocation	-	-	-	-	-	-18,903,393	-18,903,393
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	-	-	-	129,234	-	-	129,234
Comprehensive income	-	-	-	-	12,110,858	28,503,697	40,614,555
Equity at 31.12.2013	**120,689,285**	**471,757,296**	**77,460,261**	**660,461**	**-4,850,926**	**28,503,697**	**694,220,074**

» STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2012

	Share capital: ordinary shares	Share premium reserve	Reserves: income	Reserves: other	Valutation 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 CASH FLOWS AT 31 DECEMBER 2013

	31.12.2013	31.12.2012
A. OPERATING ACTIVITIES		
1. Operations	**145,212,689**	**164,838,240**
- net profit (loss) for the period (+/-)	28,503,697	18,948,475
- gains (losses) on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	-3,116,929	-4,193,429
- gains (losses) on hedging activities (-/+)	-456,063	735,008
- net impairment adjustments (+/-)	52,994,428	51,593,131
- net adjustments of property, plant and equipment and intangible assets (+/-)	7,072,064	7,533,306
- net provisions for liabilities and contingencies and other costs/revenues (+/-)	2,567,221	3,328,899
- unpaid taxes and duties (+)	25,354,015	5,640,153
- net adjustements/writebacks of discontinuing operations net of tax effects (-/+)	-	-
- other adjustments (+/-)	32,294,256	81,252,697
2. Liquidity generated/absorbed by financial assets	**531,324,787**	**-230,625,185**
- financial assets held for trading	12,266,169	26,286,373
- financial assets carried at fair value	-	-
- financial assets available for sale	55,733,118	-23,141,468
- loans to banks: on demand	40,292,000	-577,290
- loans to banks: other loans	315,057,756	-213,260,199
- loans to customers	65,356,890	-10,320,644
- other assets	42,618,854	-9,611,957
3. Liquidity generated/absorbed by financial liabilities	**-648,304,390**	**110,144,713**
- due to banks: on demand	-21,550,882	174,604,745
- due to banks: other payables	-562,955,844	-15,575,401
- due to customers	228,862,876	-308,868,329
- securities issued	-123,135,251	215,766,072
- financial liabilities held for trading	-9,042,217	-15,941,943
- financial liabilities carried at fair value	-	-
- other liabilities	-160,483,072	60,159,569
Net liquidity generated/absorbed by operating activities	**28,233,086**	**44,357,768**
B. Investment Activities		
1. Liquidity generated by	**157,612**	**412,678**
- sale of equity investments	-	-
- dividends from equity investments	142,112	380,678
- sale of financial assets held to maturity	-	-
- sales of property, plant and equipment	15,500	32,000
- sale of intangible assets	-	-
- disposal of business units	-	-
2. Liquidity absorbed by	**-2,499,925**	**-2,589,057**
- purchase of equity investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	-2,499,925	-2,589,057
- purchases of intangible assets	-	-
- acquisition of assets through transfer transactions	-	-
Net liquidity generated/absorbed by investing activities	**-2,342,313**	**-2,176,379**
C. FUNDING		
- issues/purchases of treasury shares	-	-
- issues/purchases of capital instruments	-	-
- dividend distribution and other	-18,903,393	-39,620,571
Net liquidity generated/absorbed by funding	**-18,903,393**	**-39,620,571**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**6,987,380**	**2,560,818**

RECONCILIATION

Financial Statement items	31.12.2013	31.12.2012
Cash and cash equivalents at beginning of period	57,232,077	54,671,259
Total net liquidity generated/absorbed during the period	6,987,380	2,560,818
Cash and cash equivalents: effect of exchange rates changes	-	-
Cash and cash equivalents at end of period	**64,219,457**	**57,232,077**

KEY: (+) generated (–) absorbed

Banca Popolare FriulAdria S.p.A.
Joint – stock company – Registered office: Piazza XX Settembre, 2 – 33170 Pordenone, Italy
Phone +390434,233111
Share Capital: € 120,689,285.00 fully paid up
Entered in the Business Register of Pordenone, Italy Tax ID and VAT registration no. 01369030935
Member of the Interbank Deposit Protection Fund and of National Guarantee Fund
Registered in the Register of Banks at no. 5391
Subject to the direction and coordination of Cassa di Risparmio di Parma e Piacenza S.p.A.
and member of the Cariparma Crédit Agricole banking Group registered with the Register of banking Groups at no. 6230,7