

PRESS RELEASE OF THE ISTITUTO PER LE OPERE DI RELIGIONE (IOR)

IOR releases Annual Report 2014

- Transformation of IOR on track, including reorganization and adjustment to Vatican regulatory standard with regard to transparency, supervision and financial information
- Strategic, long-term plan for the Institute far advanced
- 2014 results show positive effect of financial market developments on securities portfolio
- Further strengthening of compliance, risk and control monitoring systems and audit functions well advanced under supervision of Vatican regulator AIF
- Past abuses reported

Vatican City, 25 May 2015 – The Istituto per le Opere di Religione (IOR) today released its 2014 Annual Report. Building on the Holy Father’s reaffirmation of the importance of the IOR’s mission for the good of the Catholic Church, the Holy See and the Vatican City State in April 2014, the Institute has continued its transformation process.

The Holy Father requested the Institute to continue to serve with prudence and provide specialized financial services to the Catholic Church worldwide, thereby assisting him in his mission as universal pastor. To that extent the IOR’s management had been tasked to finalize a plan for the future of the Institute accordingly, which has subsequently been developed in 2014.

In parallel to these efforts, the IOR has done a lot of work to adhere to Vatican regulatory standards including Law XVIII of 8 October 2013 and the recent AIF Regulation no. 1 on Prudential Supervision of the Entities Carrying out Financial Activities on a Professional Basis entered into force on 13 January 2015. Great effort were also put in addressing abuse the Institute was subjected to in the past.

Strategic, long-term plan for the Institute far advanced

“The long-term, strategic plan of the Institute revolves around two key objectives: putting the interests of the clients first by offering appropriate and improved services and by de-risking the activities of the Institute”, said Jean-Baptiste de Franssu, President of the Board of Superintendence since July 2014. He added “all this is done within the strong regulatory framework now in place in the Vatican and in close cooperation with AIF, the Holy See regulator”.

The strategic plan builds on the work of the Pontifical Referring Commission to the IOR (CRIOR), and the Pontifical Commission for Reference on the Organization of the Economic- Administrative Structure of the Holy See (COSEA).

Meeting the needs of the clients under all market conditions is at the heart of the strategy going forward. It focuses first on increasing the overall quality of services and on offering appropriate products. It is secondly about further de-risking the activities in order to sustain and eventually grow the Institute’s annual economic contribution to the Holy See. Those two sets of initiatives will lead to a shift by the IOR’s clients, away from term deposits and towards asset management solutions, confirming a long-term trend that has been recorded at the Institute (40% growth of asset management solutions since 2008).

“The main focus is on fundamentally improving our overall client service standards and further professionalizing our asset management services”, said Jean-Baptiste de Franssu. "Next to providing seamless and reliable payment solutions this is at the core of our plan within the new regulatory framework introduced in the Vatican and given the recently signed tax agreement between the Holy See and Italy".

2014 results show positive effect of financial market dynamics on securities portfolio

In 2014, the Institute recorded a Net Profit of EUR 69.3m (2013: EUR 2.9m). This increase was mainly due to an increase in the Net Trading Income from securities and a decline in extraordinary operating expenses.

The 2014 Income Statement of the IOR registered:

- EUR 50.7m (-5.8% vs. 2013) Net Interest Result, recording the spread between the yield received on assets and the interest paid to customers on deposits
- EUR 36.7m Net Trading Result, compared to a net loss of EUR 16.5m in 2013, recording the realized gain or loss on the value of securities sold during the year as well as the unrealized profit and loss in the total value of securities and precious metals held on 31 December 2014
- EUR 14.4m (+2.1%) in Net Fees and Commissions Result
- EUR 2.8m (-26.3%) in Dividends from securities
- EUR 0.9m in Other Net Income (2013: EUR -14.4m)
- Operating Expenses totaled EUR 28.9m (2013: EUR 32.2m) and included staff expenses, pension contributions, general maintenance and professional fees
- EUR 7.2m in Impairment Losses (2013: EUR 5.7m)

Pending the acknowledgement by the IOR's Commission of Cardinals, the IOR will contribute EUR 55m to the budget of the Holy See, in line with the commitment for 2014, as well as EUR 14.3m to the retained earnings reserve of the Institute.

As of 31 December 2014, the IOR's equity was EUR 695m (2013: EUR 720m).

The total value of assets entrusted by customers to the IOR rose marginally to EUR 6bn in 2014 (2013: 5.9bn).

These assets consisted of EUR 2.1bn (2013: EUR 1.9bn) in customer deposits, EUR 3.2bn (2013: 3.3bn) held in managed portfolios and EUR 0.7bn (2013: EUR 0.8bn) held for customers under custody agreements.

On 31 December 2014, the IOR served 15,181 customers (see further details in table below).

The Annual Report 2014 has been audited by Deloitte & Touche SpA.

Further strengthening of compliance, risk and control monitoring systems and audit functions well advanced under supervision of Vatican regulator AIF

Further strengthening of IOR compliance culture and resources is a priority coupled with the establishment of new internal audit and risk management functions. In particular, the systematic efforts towards implementation of anti-money laundering (AML) and Know Your Customer (KYC) procedures under supervision of Vatican regulator AIF have continued and procedures are regularly monitored and further developed where necessary. In January 2014, the IOR was subject to the first inspection by Vatican supervisor and regulator AIF. Following a detailed action plan developed with AIF the IOR further strengthened AML and KYC procedures, and mostly completed their systematic implementation.

Following the publication of Regulation No 1 by Vatican regulator AIF entered into force in January 2015, the Institute is now subject to prudential supervision by Vatican regulator AIF monitoring the constant improvement of IOR organization, management, standards and procedures going forward.

Past abuses reported

Cases, where the IOR was subjected to abuse in the past, have been reported to the competent Vatican authorities.

Summary Income Statement

<i>EUR 000</i>	<i>2014</i>	<i>2013</i>
Net interest result	50,660	53,812
Net fee and commission result	14,362	14,110
Dividend income	2,781	3,796
Net trading result	36,717	(16,545)
Operating Result	104,520	55,173
Operating expenses	(28,880)	(32,187)
Impairment losses	(7,157)	(5,725)
Other net income (expense)	850	(14,396)
Net Result	69,333	2,865

Summary Balance Sheet

<i>EUR 000</i>	<i>2014</i>	<i>2013</i>
Cash and Bank deposits	567,358	715,990
Trading securities	1,718,136	1,748,901
Held to maturity securities	645,054	574,816
Remaining other assets	280,227	351,310
Total assets	3,210,775	3,391,017
Due to depositors	2,361,863	2,544,278
Remaining other liabilities (incl. post-employment benefit plans)	153,918	126,692
Net equity	694,994	720,047
Total liabilities and equity	3,210,775	3,391,017

Overview Current Client Relationships as of 31 December 2014

Client relationships - actual	15,181
Client relationships ended since May 2013 as part of the KYC review	4,614
of which: Actively terminated - dormant (low balance, inactivity)	2,600
of which: Actively terminated - did not fit client category	554
of which: Closed due to natural attrition	1,460
Relationships currently in process of being terminated as part of the KYC review	274

About the Istituto per le Opere di Religione (IOR):

The "Istituto per le Opere di Religione" (IOR) is an institute founded on 27 June 1942 by Papal Decree. Its origins date back to the "Commissione ad Pias Causas" established in 1887 by Pope Leo XIII. The mission of the IOR is to serve the global mission of the Catholic Church by providing for the custody and administration of its customers' assets, and rendering dedicated worldwide payment services to its customers. The Institute's mission was confirmed by the Holy Father, Pope Francis, on 7 April 2014. The IOR operates from a single location – its headquarters in the Vatican City State – and is regulated by the "Autorità di Informazione Finanziaria" (AIF), the financial supervisory body for the Vatican City State. The IOR serves around 15,000 customers. As of 31 December 2014, the Institute was entrusted with customers' assets totalling EUR 6bn.

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