

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

IOR publishes Annual Report 2012

Vatican City, 1 October 2013 – Today, the Istituto per le Opere di Religione (IOR) has published its Annual Report for 2012 on its website www.ior.va. This is the first ever Annual Report of the IOR being made available to the public, as part of a comprehensive undertaking to explain the IOR's mission, activities and financials. On 31 July this year, the IOR had already launched its website, publishing a set of key figures for 2012.

The Annual Report consists of a review of operations in 2012, information on corporate governance and legal framework, an operational outlook for 2013, and the audited Financial Statements as of and for the year ended 31 December 2012, together with 2011 data for comparison. The Financial Statements were compiled according to International Financial Reporting Standards (IFRS).

“With the publication of our Annual Report, we are meeting our commitment to provide the transparency about our activities which the Catholic Church, our customers, the Vatican Authorities, our correspondent banks and the public rightfully expect,” said Ernst von Freyberg, President of the Board of Superintendence since 26 February 2013 and currently acting Director General ad interim.

The IOR strives to serve the global mission of the Catholic Church by protecting and growing the patrimony of and providing worldwide payment services to the Holy See and related entities, religious orders, other Catholic institutions, clergy, employees of the Holy See and the accredited diplomatic corps.

“The investment policy of the IOR is designed to ensure, first and foremost, that the assets entrusted to us are safe,” said von Freyberg. “Our focus is on conservative management and low exposure to risk”.

The IOR protects its customers’ deposits and assets by investing predominantly in fixed interest securities, government bonds and interbank term deposits. On average, less than six percent of total assets are held in externally managed funds and equities.

“As well as keeping safe the patrimony entrusted to us, our mission is to support our customers’ needs by offering a fast, dedicated and cost-efficient global payment system through our correspondent banks,” said von Freyberg. “This global service is unique for an institute of our size and reflects the global reach of the missionary activities and charitable works of our customers.”

“2012 was an economically successful year for our customers and the IOR,” said von Freyberg. “The interest rate environment helped us in two ways: we benefited from relatively high interest income on our existing portfolio, in particular during the early part of the year, and we subsequently benefited from the rise in the market value of interest-bearing securities we held.”

In 2012, the Institute reported a net profit of EUR 86.6m (2011: EUR 20.3m). This allowed the IOR to contribute EUR 54.7m to the budget of the Holy See while transferring EUR 31.9m to the general operating risk reserve (retained earnings).

The Income Statement of the IOR posted:

- EUR 52.2m (-19.6 percent) Net Interest Result, recording the spread between the yield received on assets and the interest paid to customers on liabilities;
- EUR 12.2m (+19.6 percent) in Net Fees and Commissions on asset management and transactions; and
- EUR 51.1m (2011: EUR -38.2m) Net Trading Income, recording both 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 held on 31 December 2012.

Operating Expenses totalled EUR 23.9m (+12 percent) and included staff expenses, pension contributions, general maintenance and professional fees.

In 2012, the IOR was entrusted with EUR 6.3bn in customers' assets. These consisted of EUR 2.3bn in deposits, EUR 3.2bn managed by the IOR under asset management agreements and EUR 0.8bn in assets held for customers under custody agreements. According to IFRS accounting standards, a total of EUR 4.1bn of these assets are reflected in IOR's balance sheet, with the remaining EUR 2.2 bn disclosed as off-balance assets.

Equity grew from EUR 741m to EUR 769m (+3.6 percent) giving the Institute a solid equity ratio of 15.4 percent.

“Overall, we expect 2013 to be marked by the extraordinary expenses for the ongoing reform and remediation process, and the effects of rising interest rates,” said von Freyberg.

The IOR is currently undergoing a review by Promontory Financial Group of all customer relationships and the anti-money-laundering procedures it has in place. In parallel, the Institute is implementing appropriate improvements to its structures and procedures. This process was initiated in May 2013 and is expected to be largely concluded by the end of 2013.

On 4 July 2013, the Board of Superintendence unanimously passed a resolution on a new customer policy consistent with the statutes of the Institute and the customer definition published on the Institutes' website www.ior.va on 31 July 2013. That same day it also confirmed the appointment of Rolando Marranci as new Vice Director and Antonio Montaresi for the newly created position of Chief Risk Officer.

“We are working hard to improve the Institute's governance and operations in order to live up to the mission of service conferred to the IOR through its statutes i.e. the safeguarding of funds destined for the works of religion,” said Ernst von Freyberg.

Summary Income Statement

<i>EUR 000</i>	<i>2012</i>	<i>2011</i>
Net interest result	52,172	64,928
Net fee and commission result	12,194	10,219
Net trading income	51,128	(38,173)
Operating expenses	23,949	20,957
Other income (loss)	(4,930)	4,236
Net Profit	86,615	20,253

Summary Balance Sheet

<i>EUR 000</i>	<i>2012</i>	<i>2011</i>
Cash and Bank deposits	1,221,548	1,442,260
Investment in securities	3,619,310	2,496,437
Other assets	144,898	128,829
Total assets	4,985,756	4,067,526
Due for savings accounts	4,103,473	3,224,981
Other liabilities	113,024	101,384
Total equity	769,259	741,161
Total liabilities and equity	4,985,756	4,067,526

Summary Overview on Clients' Assets

<i>EUR 000</i>	<i>Booked on Balance Sheet</i>	<i>Booked off Balance Sheet</i>
Deposits (incl. Accruals)	2,318,001	0
Assets under Management	1,785,472	1,420,375
Custody	0	797,066
Total assets on/ off balance	4,103,473	2,217,441
Total assets		6,320,914

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 and set with the task of serving the Holy See and its customers in the Catholic Church all over the world. Its origins date back to the "Commission ad pias causas" established in 1887 by Pope Leo XIII.

The IOR’s purpose is set by its Statutes, amended by Pope John Paul II in 1990, and related by-laws. It is “to provide for the custody and administration of goods transferred or entrusted to the Institute by physical or juridical persons, designated for religious works or charity. The Institute can accept deposits of assets from entities or persons of the Holy See and of the Vatican City State.”

The IOR strives to serve the global mission of the Catholic Church by protecting and growing the patrimony of and providing worldwide payment services to the Holy See and related entities, religious orders, other Catholic institutions, clergy, employees of the Holy See and the accredited diplomatic corps.

As of 31 December 2012, the IOR was entrusted with customers’ assets (including deposits, assets held in custody and assets held under portfolio management agreements) totalling EUR 6.3bn and shareholders’ equity of EUR 769m.

The IOR is situated exclusively on the sovereign territory of the Vatican City State. The IOR is supervised and regulated by the "Autorità di Informazione Finanziaria" (AIF), the financial supervisory body for the Vatican City State.

On 24 June 2013, Pope Francis has nominated a pontifical commission which will make proposals on the future direction of the Institute.

Media Contact:

Max Hohenberg

Markus Wieser

Tel./Mob.: +39 06 698 85 910

Email: press@ior.va

To download the Annual Report 2012 and further information please visit us on: www.ior.va