

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

IOR releases Annual Report 2015

1. **Key changes to IOR operating framework** : 2015 saw the adoption of the new Holy See regulatory framework pertaining to financial activities, the end of the KYC* and AML* remediation process, addressing past tax uncertainties and the strengthening of IOR's governance and control functions.

2. **Customer first**: Management has worked during 2015 to rebuild trust and bring stability to the IOR client base. This has included particular management focus and investments to the benefit of customer service, products and overall offerings.

3. **Financial results**: 2015 net profit of Euro 16.1 million despite lower interest rate environment high volatility, and uncertainties in financial markets.

Vatican City, 12 May 2016 – The Istituto per le Opere di Religione (IOR) today released its 2015 Annual Report.

Building on the Holy Father's reaffirmation of the importance of the IOR's mission, the Institute has continued to serve with prudence and provide specialized financial services to the Catholic Church worldwide and the Vatican City State. IOR has thus continued in 2015 to assist the Holy Father in His mission as universal Pastor. While visiting the IOR on November 24, 2015 the Holy Father insisted on the need to adhere to "Ethical principles that are non-negotiable for the Church, the Holy See and the Pope". His Holiness went on stating that "IOR needs to base its operations on principles that are compatible with standards of morality, consistent efficiency and practices that respect the specificity of IOR's nature and the example it is required to set through its activities", as to "combine, harmoniously, operational effectiveness and the essential pastoral nature of all actions".

1. Key changes to IOR's operating framework

The Vatican City State has taken in the last few years major steps in requiring all financial institutions to comply with a new legal and regulatory framework (Law XVIII). In 2015, AIF issued a prudential regulation, Regolamento N. 1 and the Institute has diligently worked towards adherence to the new rules issued.

Between June 2013 and December of 2015, 4935 accounts were closed, effectively terminating the thorough remediation process of past accounts. Procedures in place are diligently applied to all new customer and related activities.

**AML : Anti Money Laundering KYC : Know Your Customer*

In the same year international tax agreements were signed by the Holy See, leading to enhanced transparency.

2015 has also seen key steps taken to strengthen IOR governance. It includes the creation of an Audit and Risk committee as well as an HR and Remuneration committee to help the Board. In accordance to the Statutes governing the Institute, a new Director General was appointed, Gian Franco Mammì supported by Giulio Mattiotti as aggiunto al Direttore Generale, as well as 2 new members of the Board of Auditors (Collegio dei Revisori), Giovanni Barbara and Luca Del Pico.

2. Customer first

In 2015 IOR has worked to strengthen its values, rebuild trust and bring stability to its client base. Management undertook a full review of its customer service function and various steps were taken to respond to customers' requests. IOR's investment process for its asset management products was strengthened. Information and communication to customers was increased and improved: more than 1500 customers attended one of our seminars held on a quarterly basis at IOR premises. A process of significantly enhancing the IOR portfolio management system started and is due to finish in 2016. Overall investment performance at the end of the year reflected the difficult environment that has characterized 2015 and reflected the low risk approach of IOR's customers.

3. 2015 financial results

IOR's operating result is Euro 42.8 million. It positively reflects the investment strategy initiated in late 2014 to de-risk and rationalize IOR's proprietary portfolio in a low rate environment. It has been achieved despite financial market volatility heightened by economic and geopolitical uncertainty. This environment persisted during most of the year but was particularly intense in the second half of the year and ultimately affected the net trading results, having led to a decrease in the net interest income.

2015 saw a positive reduction year-on-year in operating expenses (through a reduction of third party consultants costs), and in impairment losses. IOR's 2015 net result includes a provision for tax remediation and the settlement of an investment legacy issue.

For 2015, IOR will pay a dividend of Euro 16.1 million, representing its net profit. Its equity remains untouched as per its Statutes. As of 31 December 2015, IOR's equity net of distribution is Euro 654 million. This includes the new Capital Euro 300 million that was defined as per Regolamento N.1 and approved by the Cardinals' Commission.

Summary Income Statement (EUR/000)

	2015	2014
Net interest result	43,891	50,660
Net fee and commission result	15,228	14,632
Dividend income	1,954	2,781
Net trading result	(18,231)	36,717
Operating Result	42,842	104,520
Operating expenses	(24,004)	(28,880)
Impairment losses	(866)	(7,157)
Other net income (expense)	(1,845)	850
Net Profit for the year	16,127	69,333

Summary Balance Sheet (EUR/000)

	2015	2014
Cash and Bank deposits	733,397	567,358
Trading securities	1,667,966	1,718,136
Held to maturity securities	614,818	645,054
Remaining other assets	188,077	280,227
Total assets	3,204,258	3,210,775
Due to depositors	2,371,669	2,361,863
Remaining other liabilities (incl. post-employment benefit plans)	162,311	153,918
Net equity	670,278	694,994
Total liabilities and equity	3,204,258	3,210,775

The total value of assets entrusted by customers to the IOR decreased marginally to Eur 5.8 bn in 2015 (Eur 6 bn in 2014). These assets consisted of Eur 1.9 bn (Eur 2.1bn in 2014) in customer deposits, Eur 3.2 bn (unchanged from 2014) held in managed portfolios and Eur 0.7 bn (unchanged from 2014) held for customers under custody agreements.

On 31 December 2015, the IOR served 14,801 customers.

The Financial Statements 2015 has been audited by Deloitte & Touche S.p.A.

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

The *Istituto per le Opere di Religione*, is an institute of the Holy See, founded on 27 June 1942 by Chirograph of His Holiness Pius XII as a charitable foundation under canonical law. Its origins date back to the “*Commissione ad Pias Causas*” established by Pope Leo XIII in 1887.

IOR’s purpose, set out in its Statutes, annexed to the Chirograph dated 1 March 1990 of His Holiness John Paul II, is “to provide for the custody and administration of goods transferred or entrusted to the Institute by legal or natural 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”. This means that IOR’s key activities are to provide payment services as well as wealth management solutions (interest bearing accounts and asset management products) for its customers.

IOR is located in the sovereign territory of the Vatican City State. It is subject to regulations and legislations applicable in the Vatican City State under the supervision of “*Autorità di Informazione Finanziaria*” (AIF), the financial regulatory body for the Vatican City State and the Holy See.

IOR’s 14801 customers are made up of the Holy See and related entities, religious orders, other Catholic institutions, clergy, employees of the Holy See, and the accredited diplomatic corps. Today, approximately 75 % of the number of IOR customers are based in Italy and the Vatican, 15 % in Europe ex Italy and the Vatican and 10 % global ex Europe.

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