Posteitaliane

ANNUAL REPORT 2014

Gruppo Posteitaliane

SUMMARY OF CONTENTS

Financial and operational highlights

Poste Italiane Group			Results of operations for the year ended 31 December	Poste Italiane SpA		
2012	**2013**	**2014**	*(€m)*	**2014**	**2013**	**2012**
20,464	22,822	24,622	Revenue from sales and services and insurance premium revenue	8,471	8,978	9,206
			of which:			
4,533	4,309	3,964	from Postal and Business services [1]	3,147	3,547	3,782
5,145	5,068	4,950	from Financial services	5,228	5,326	5,319
10,531	13,200	15,472	from Insurance services	n/a	n/a	n/a
255	245	236	from Other services	96	105	105
1,382	1,400	691	Operating profit	381	917	951
1,032	1,005	212	Profit for the year	57	708	722
6.8%	*6.1%*	*2.8%*	*ROS* [*]	*4.5%*	*10.2%*	*10.3%*
33.5%	*23.9%*	*9.0%*	*ROE* [**]	*4.6%*	*19.8%*	*29.3%*

n/a: not applicable

[1] Poste Italiane SpA's revenue is generated by Postal services.

[*] ROS (Return on Sales) is the ratio of operating profit to revenue from sales and services and insurance premium revenue.

[**] ROE (Return on Equity) is the ratio of profit before tax to equity for the two comparative periods.

Poste Italiane Group			Financial position at 31 December	Poste Italiane SpA		
2012	**2013**	**2014**	*(€m)*	**2014**	**2013**	**2012**
5,651	7,116	8,418	Equity	6,505	5,430	4,313
(1,959)	(3,257)	(4,741)	Net (funds)/debt	(1,892)	(930)	189
3,692	3,859	3,677	Net invested capital	4,613	4,500	4,502

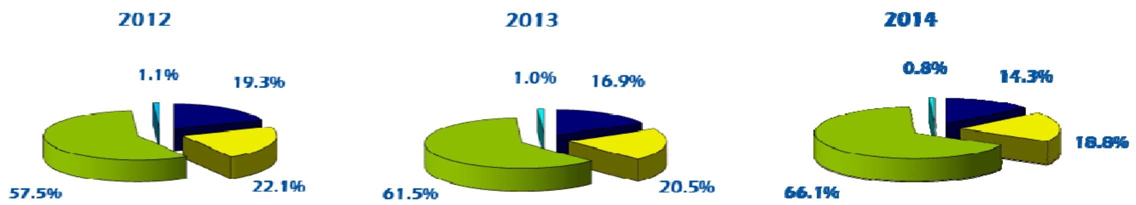
Poste Italiane Group			Other information	Poste Italiane SpA		
2012	**2013**	**2014**	*(€m)*	**2014**	**2013**	**2012**
482	505	438	Investment during the period	576	829	401
			of which:			
477	504	437	in property, plant and equipment and intangible assets	332	419	401
5	1	1	in investment property	1	-	-
-	-	-	in financial investments (equity investments)	243	410	-
144,628	143,655	143,003	Average workforce [*]	138,428	139,201	140,315

[*] The average workforce (shown in full-time equivalent terms) includes the flexible workforce and excludes seconded and suspended staff.

Other information about Poste Italiane SpA		**at 31 December 2012**	**at 31 December 2013**	**at 31 December 2014**
Operational data (€m)				
Current accounts (average for the year)		41,452	43,903	43,953
Postal savings books		98,778	106,920	114,359
Interest-bearing postal certificates		213,270	211,707	211,333
Other indicators				
Number of outstanding current accounts ('000)		5,883	6,023	6,173
Number of post offices		13,676	13,310	13,233
Levels of service	delivery within	**2012**	**2013**	**2014**
Priority mail	1 day	92.9%	90.4%	90.3%

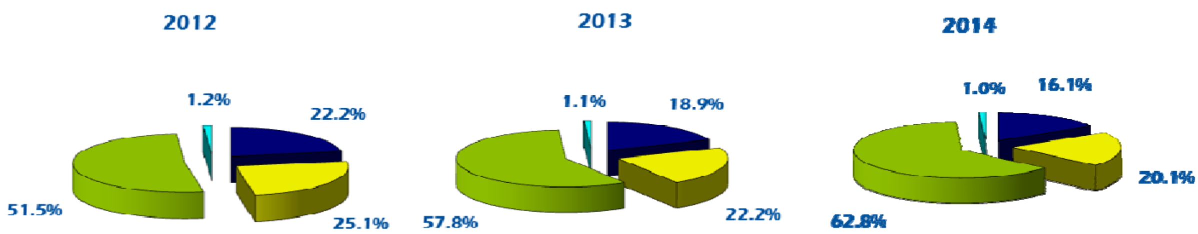
[*] The figure for 2014 is provisional. The final figure is being computed by IZI at the request of the regulator, AGCom.

POSTE ITALIANE GROUP
TOTAL REVENUE



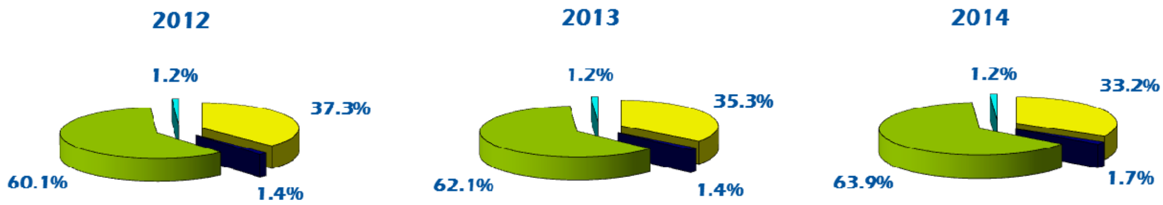
for the year ended 31 December (€m)	2012	2013	2014	% increase/(decrease) 2013 vs 2012	2014 vs 2013
Postal and Business services	4,657	4,452	4,074	(4.4)	(8.5)
Financial services	5,312	5,390	5,358	1.5	(0.6)
Insurance services	13,833	16,166	18,840	16.9	16.5
Other services	267	260	240	(2.6)	(7.7)
Total	**24,069**	**26,268**	**28,512**	**9.1**	**8.5**

POSTE ITALIANE GROUP
REVENUE FROM SALES AND SERVICES AND INSURANCE PREMIUM REVENUE



for the year ended 31 December (€m)	2012	2013	2014	% increase/(decrease) 2013 vs 2012	2014 vs 2013
Postal and Business services	4,533	4,309	3,964	(4.9)	(8.0)
Financial services	5,145	5,068	4,950	(1.5)	(2.3)
Insurance services	10,531	13,200	15,472	25.3	17.2
Other services	255	245	236	(3.9)	(3.7)
Total	**20,464**	**22,822**	**24,622**	**11.5**	**7.9**

POSTE ITALIANE SPA
MARKET REVENUE



for the year ended 31 December (€m)	2012	2013	2014	% increase/(decrease) 2013 vs 2012	2014 vs 2013
Mail and Philately	3,302	3,025	2,713	(8.4)	(10.3)
Express Delivery and Parcels	120	123	140	2.6	13.8
BancoPosta services	5,319	5,326	5,228	0.1	(1.8)
Other revenues	105	105	96	n/s	(8.6)
Total (*)	**8,846**	**8,579**	**8,177**	**(3.0)**	**(4.7)**

To ensure the comparability of amounts for the two years, certain amounts for 2013 have been reclassified.

(*) Market revenue does not include electoral subsidies and universal service compensation, totalling €294 million (€399 million in 2013)

n/s: not significant

Key aspects of strategy

During the year, the Group was heavily engaged in preparing its Business Plan for the period 2015-2019. In implementing the Plan, Poste Italiane intends to play an inclusive role in the country's development, helping citizens, businesses and the public sector to participate in the new digital economy through the provision of quality, easy-to-use, transparent and reliable services.

The strategy set out in the Plan, the cornerstone of which is represented by the Group's extensive geographical footprint, focuses on three main areas: Logistics and Postal Services, Payments and Transactions, Savings and Insurance.

Whilst awaiting definition of the new regulatory framework for the Universal Service, the Group's aim in the Logistics and Postal Services segment is to provide a widespread, competitive logistics system, capable of enabling Italian businesses and consumers to take part in the e-commerce revolution, with innovative offerings alongside our delivery and payment services and the option of dropping off and collecting parcels from our post offices. Traditional mail services, demand for which is in sharp decline, will at the same time see a simplification of the current offering and the introduction of new products and/or services capable of meeting the real needs of our customers.

Against this backdrop, access to the Universal Service for all citizens will be guaranteed by the widespread nature of the network throughout the country and thanks to the Electronic Postman project (postmen and women equipped with handheld devices), which will play a key role in the Group's delivery strategy, reducing the need to visit a post office in order to make use of our services. The Electronic Postman provides a range of services on the customer's doorstep, covering the payment of bills by payment slip, the collection of ordinary and registered mail, the delivery of parcels and mobile phone and Postepay card top-ups.

The strategies for Payments and Transactions envisage the development of innovative platforms with the aim of maintaining the Group's leadership in electronic money and in collection and payments systems, by offering simple, secure and traceable products and services (the launch of *Poste PayEvolution* and "NFC" SIM cards, which transform the smartphone into an easy-to-use and secure digital wallet, are concrete examples).

The Savings and Insurance segments will continue to play a major role in managing the savings of and protecting Italian consumers, with transparent, high-quality products that will enable the Group to grow and retain existing customers and target new segments.

MANAGEMENT AND SUPERVISORY BODIES

Board of Directors [1]

	In office from 2 May 2014
Chairwoman	Luisa Todini
Chief Executive Officer and General Manager [2]	Francesco Caio
Directors	Antonio Campo Dall'Orto Elisabetta Fabri Roberto Rao

	In office until 2 May 2014
Chairman	Giovanni Ialongo
Chief Executive Officer and General Manager	Massimo Sarmi
Directors	Maria Claudia Ioannucci Antonio Mondardo Alessandro Rivera

Board of Statutory Auditors

(In office from 2 May 2014) Chairman [3]	Biagio Mazzotta
(In office until 2 May 2014) Chairman [3]	Francesco Massicci
Auditors	Nadia Fontana Benedetta Navarra
Alternates	Roberto Coffa Patrizia Padroni

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane [4]

Adolfo Teobaldo De Girolamo

Independent Auditors [5]

PricewaterhouseCoopers SpA

[1] The Board of Directors, which was elected by the General Meeting of 2 May 2014, has a term of office of three years, which will expire on the date of the General Meeting called to approve the financial statements for 2016.

[2] The Board of Directors' meeting of 7 May 2014 elected the Chief Executive Officer (CEO) and General Manager.

[3] Following the resignation of the Chairman of the Board of Statutory Auditors, Francesco Massicci, the General Meeting of 2 May 2014 elected Biagio Mazzotta as Chairman of the Board of Statutory Auditors.

[4] The functions were assigned by the Council of the Presidency of the Court of Auditors, in its Resolution of 6-7 July 2010, with effect from 27 July 2010. The Council of the Presidency, at its meeting of 27-28 January 2015, appointed the President of the section, Francesco Petronio, to audit Poste Italiane SpA, with effect from 16 February 2015.

[5] Appointed for nine years by the General Meeting of 14 April 2011, as required by Legislative Decree 39/10.

Directors' Report on Operations 2014

CONTENTS

1. CORPORATE GOVERNANCE

This section incorporates the Corporate Governance Report required by art. 123-bis of Legislative Decree 58/1998 (the Consolidated Law on Finance), having regard to the disclosures required by paragraph 2.b.[1]

Poste Italiane SpA is wholly owned by the Ministry of the Economy and Finance (the "MEF"). General Meetings are held periodically to vote on resolutions regarding matters within its purview in accordance with the law.

The *Board of Directors* consists of 5 members and normally meets once a month to examine and vote on resolutions regarding the operating performance, the results of operations, proposals relating to the organisational structure and transactions of strategic importance. The Board met 17 times in 2014.
The Chairwoman's role is to lead and oversee the Board of Directors, exercising the powers provided for by law and the Company By-laws, and those assigned by the Board of Directors' meeting of 7 May 2014. The General Meeting has given the Board of Directors the authority to grant the Chairwoman executive powers in respect of the following matters: internal auditing and government relations.

Internal Auditing

- supervision of the activities of the Internal Auditing function, with the aim of liaising with the Board of Directors, to which the function reports;
- supervision of the Internal Auditing Guidelines, in consultation with the Chief Executive Officer.

Government Relations

- subject to prior agreement with and in close coordination and consultation with the Chief Executive Officer, and provided they do not pertain to the operating activities of the Company and the Group, relations with government bodies, such as Parliament, the Executive, Ministries, institutions and the authorities in general. This authority is non-exclusive.

The *Chief Executive Officer (CEO)* and *General Manager*, to whom all key departments report, has full powers for the administration of the Company across the organisational structure, unless otherwise provided for by law and the Company By-laws and with the exception of the following powers reserved to the Board of Directors:

- the issue of bonds and the assumption of medium/long-term borrowings of amounts in excess of €25,000,000, unless otherwise indicated in specific resolutions passed by the General Meeting or the Board of Directors itself;
- strategic agreements;
- the award of procurement, supply or service contracts involving amounts in excess of €50,000,000;
- agreements (with ministries, local authorities, etc.) involving commitments in excess of €50,000,000;
- the incorporation of new companies, and the acquisition and disposal of equity interests;
- changes to the Company's organisational model;
- the purchase, exchange and disposal of properties with a value of more than €5,000,000;
- the approval of regulations governing supplies, tenders, services and sales;
- the appointment and termination of the Manager responsible for financial reporting, at the proposal of the CEO and with the prior approval of the Board of Statutory Auditors, granting the appropriate powers and means;
- the appointment, at the proposal of the CEO, of the Head of BancoPosta;
- the appointment and termination of the Head of Internal Auditing, at the joint proposal of the Chairwoman and

[1] Not having issued shares traded on regulated markets or multilateral trading systems, the Company has elected to take up the option, provided for by paragraph 5 of art. 123-bis, of not publishing the disclosures referred to in paragraphs 1 and 2, with the exception of those required by paragraph 2.b.

CEO, in consultation with the Board of Statutory Auditors.

The Board of Directors also examines and approves the long-term business plans and annual budgets prepared by the CEO, approving strategic guidelines and directives for Group companies proposed by the CEO. The Board must approve the CEO's proposals regarding the exercise of the Group's vote at the extraordinary general meetings of subsidiaries and other investee companies.

Poste Italiane SpA's *Board of Statutory Auditors* has 3 standing members elected by the General Meeting. Pursuant to art. 2403 of the Italian Civil Code, the Board verifies compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality. The Board of Statutory Auditors, which was also designated to serve as Supervisory Board pursuant to Legislative Decree 231 of 8 June 2001. Poste Italiane's Board of Directors has exercised the option provided by art. 14, paragraph 12, Law 183 of 12 November 2011 (the "2012 Stability Law") and assigned the role of Supervisory Board to the Board of Statutory Auditors.

The Board met 34 times during the year, including in its role of Supervisory Board.

The audit firm PricewaterhouseCoopers SpA has been appointed to audit the Company's accounts for the period 2011-2019. The appointment was made in conformity with Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts").

The Board of Directors has established a *Remuneration Committee*, which is responsible for making proposals to the Board regarding the remuneration of executive directors.

In accordance with Law 259 of 21 March 1958, requiring parliamentary scrutiny of the financial management of organisations normally financed by the state, Poste Italiane SpA's budget and financial management are controlled by the Italian Court of Auditors. The controls entail the ascertainment of the propriety and regularity of management and internal controls.

The system for delegating powers entails the delegation of powers to the heads of the various functions by the granting of special powers of attorney to specific persons.

Details of the governance of BancoPosta RFC are provided in the section, "BancoPosta RFC management review". As a result of the new Supervisory Standards for BancoPosta issued by the Bank of Italy on 27 May 2014, Poste Italiane, in conducting BancoPosta's activities, is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity. On the basis of this classification, the Company is taking a series of steps designed to ensure that it is fully compliant with the Supervisory Standards, including a review, among other things, of its internal regulations (By-laws and BancoPosta RFC's regulation).

The process of complying with the Supervisory Standards forms part of a number of changes affecting the Company, whose privatisation is imminent.

As previously reported, on 16 May 2014 the Italian Cabinet Office approved an outline Cabinet Office Decree establishing the criteria for the privatisation and the procedures to be applied in the sale of up to 40% of the MEF's shareholding in Poste Italiane. The sale, which may take place in tranches, is to take the form of a public offering of shares to Italian private investors and/or Italian and international institutional investors.

Within this context and in view of the stock market listing of its shares, Poste Italiane is working to bring its governance system into line with other listed companies, taking into account existing applicable regulations and the recommendations in the Corporate Governance Code.

Internal control system

Poste Italiane SpA's internal control system consists of a systematic body of rules, procedures and organisational structures, the purpose of which is to prevent or limit the consequences of unexpected events and enable the Company to achieve its strategic and operating objectives, comply with the relevant laws and regulations and ensure the fairness and transparency of internal and external reporting.

In this context, the Internal Auditing function assists the organisation in the pursuit of its business and governance goals, supporting executives and management through its independent and objective professional contribution. The department is responsible for monitoring and making improvements to the Company's control and risk management processes and its corporate governance.

The 2014 audit included a gradual revision of company processes based on a risk analysis, thus assuring that the overall systems of internal control were fit for purpose by supporting the work of the Manager responsible for financial reporting and audit plans drawn up by the Supervisory Board.

The Internal Auditing function has assured the propriety of the design of the Parent Company's system of internal control and its functionality. In addition, in accordance with the procedures and in the situations provided for in the Group's Interrelations Map, the function has provided assurance regarding the processes implemented by subsidiaries and selected as part of its Audit Plan. Furthermore, any internal control and hence risk management weaknesses or irregularities reported have been addressed.

With regard to the statutory requirements introduced by Legislative Decree 231/01, work continued on consolidating the relevant Organisational Model[2], including the revision, in line with changes in the regulations, of the procedures and organisational-operational arrangements for overseeing areas potentially exposed to the various risks and crimes.

In particular, work began on updating and revising the process for analysing relevant risks for the purposes of Legislative Decree 231, in keeping with expected future developments affecting the Poste Italiane Group. The outcome of this process will, among other things, support revision of the Organisational Model, partly in view of the Company's approaching privatisation, and in the light of the relevant best practices for listed companies and the most recent jurisprudence.

Support continued to be provided to the Board of Statutory Auditors and investee companies in the process of revising their Organisational Models in order to assure the uniform application of the principles of Decree 231.

Finally, during the year the Company closely followed developments in the legislation implementing the so-called "Anti-corruption law" of 2012 (Law 190/2012). From October 2013, the Company has been engaged in talks with the National Anti-Corruption Authority (ANAC), with the aim of clarifying its position as an issuer of listed financial instruments, qualifying for certain exemptions from application of the related regulations, in order, therefore, to ensure it meets the necessary requirements.

[2] This is the Organisational Model approved by the Board of Directors at the meeting of 24 April 2013.

The existing risk management and control system for financial reporting pursuant to art. 123-*bis*, paragraph 2, letter b of the Consolidated Law on Finance

Protagonists, roles and responsibilities

The Manager responsible for financial reporting, appointed pursuant to art. 154-*bis*, Legislative Decree 58/1998 (the Consolidated Law on Finance), by the Board of Directors, and who is also the Chief Financial Officer, is responsible for the establishment of administrative and accounting procedures and, together with the CEO, certifies their effectiveness and functionality, in addition to the accuracy and correctness of the financial reports to which the procedures refer. The position has also been created for those subsidiaries that contribute a significant share of the Group's consolidated net assets, income and cash flows.[3]

The Manager responsible for financial reporting is supported by the System of Accounting Controls function, which forms part of the Accountancy, Finance and Control function, in analysing risks to the reliability of financial reporting, working closely with all other staff involved in managing the different types of risk, including through the regular reporting of information.

At the end of 2014, the System of Accounting Controls function was absorbed into the newly established Group Risk Management function, which continues to be a part of Accountancy, Finance and Control, tasked with carrying out, partly in coordination with the competent Company departments and other Group companies, the process of identifying, assessing and monitoring the Group's risks and supporting the Manager responsible for financial reporting in overseeing the internal control system in order to ensure the accuracy of financial reporting. The Group Risk Management function has also absorbed a part of the activities and resources previously assigned to Risk Analysis and Security Intelligence, within the Security and Safety function.

The involvement in the system of internal control of corporate functions with differing roles and responsibilities is divided into three levels, which is partially reflected in the structure of monitoring as described below.

Line or first-level controls

Poste Italiane's functions are each responsible for internal controls, thus assuring the execution of line or first-level controls as required by the previously cited administrative and accounting procedures. The Information Systems function plays a role of prime importance in this connection, since it is responsible for the IT systems that support financial reporting and is required, at least once a year, to provide the Manager responsible for financial reporting with an attestation regarding the reliability of the system of internal controls as regards information technology.

Second-level controls

The processes relating to risk analysis and management at Poste Italiane SpA involve various functions with responsibility for overseeing categories/areas of risk based on approaches and models that are specific to their area of responsibility, and whose activities are at various stages of progress. These functions include:

- *Group Risk Management*, which conducts the above activities;
- Bancoposta's *Risk Management* function oversees financial and operational risk at BancoPosta and Poste Italiane's financial risks. Among its various activities, Risk Management, in collaboration with the Group Risk Management function: ensures, with regard to BancoPosta RFC, an integrated, retrospective and prospective view of the risk environment and of BancoPosta RFC's capital and organisational adequacy. In addition, based on the requirements of the Supervisory Standards, it develops systems and methods for managing and measuring BancoPosta RFC significant risk exposures, and monitors and quantifies the risk appetite with respect to the guidelines set out in the Risk Appetite Framework. The function is also responsible for auditing the procedures used to determine the value of financial instruments in accordance with the Group's Fair Value Policy, and

[3] Poste Vita, SDA Express Courier and Postel, in addition to the subsidiary, Banca del Mezzogiorno – Mediocredito Centrale, which is already required by law to appoint a Manager responsible for financial reporting.

overseeing compliance with the operational restrictions set out in the Guidelines for managing Poste Italiane's financial assets and in the risk policies.

- Bancoposta's *Compliance*, which is responsible for identifying and assessing the compliance risks to which BancoPosta's activities are exposed with respect to the relevant legislation.

Third-level controls

- *Internal Auditing*. It supports the Manager responsible for financial reporting through continual assurance of the design and functioning of controls over accounting procedures that form the basis of financial reporting. Given the department's organisational independence and autonomy, it is in a position to evaluate the adequacy of the design and effective application of administrative-accounting control procedures. Its work is based on an audit plan that covers existing procedures, in addition to incorporating any audit tests specifically requested by the Manager responsible for financial reporting, with whom methods and audit criteria are agreed. Audit findings are promptly reported to the Manager responsible for financial reporting in an agreed manner and format and are reported at least every six months to the Board of Directors through the Chairwoman.
- Bancoposta's *Internal Auditors*, who are responsible for assessing the overall completeness, adequacy, functionality and reliability of BancoPosta RFC's system of internal controls, in accordance with the related regulatory framework. The Auditors, in coordination with Internal Auditing, provide the Manager responsible for financial reporting with adequate periodic reports on their activities.

Finally, Group Companies have established and now maintain their own systems of internal control over financial reporting, the effective application of which is assured by certain of those companies through a manager responsible for financial reporting. Each company specifically assures the correctness of financial information and the reliability of any additional information for annual and interim consolidated financial statements and the Report on Operations. Certain of the companies also have Internal Auditing, Risk Management and Compliance units similar to those of the Parent Company, thus replicating the same internal control structure.

Principal characteristics of the Poste Italiane System

Generally, the System embodies "cross-functional" components across Company and/or Group processes and operations (job descriptions, powers and delegations, etc.) and the individual processes used for financial reporting. In accordance with the principles adopted by Poste Italiane, the System consists of the following components: Control Environment, Risks and Control Activities, Information and Communication and Monitoring.

Control environment

The control environment is the general environment in which Poste Italiane's staff perform their duties. It encompasses integrity and other of Poste Italiane's ethical values, its organisational structure, system of allocating and exercising authorities and responsibilities, the separation of duties, staff management and incentive policies, personnel competence and, more in general, corporate culture. Other factors characterising the control environment at Poste Italiane, which are of particular importance for the internal control system applied to financial reporting, are primarily:

- the Organisational Models pursuant to Legislative Decree 231/01 and the relevant corporate procedures;
- the Group's Code of Ethics, as supplemented by the Group Suppliers and Partners Code of Conduct, violation of which represents a breach of trust in the relationship with Poste Italiane and may result in legal action and the adoption of other measures affecting those required to comply with the Code;
- the organisational structure of Poste Italiane and Group companies as reflected in organisational charts, service orders, organisational notices and procedures, which determine the duties and responsibilities of functions;
- the system for delegating powers, which entails the delegation of powers to the heads of the various functions with respect to their activities, by the granting of special powers of attorney to specific persons;

- the Group's Interrelations Map, which incorporates a system of behavioural and technical rules guaranteeing the standard application of corporate governance through coordination of decision-making processes regarding aspects, issues and activities of strategic interest and/or importance, or whose impact may involve significant financial risks for the Group.

In addition to the above, and of a more general nature, an in-house set of standards and principles has been developed for the regulation and implementation of the position of the Manager responsible for financial reporting. Specifically:

- Guidelines for the Manager responsible for financial reporting, as reported to the Board of Directors, which determine the powers, resources, duties and relationship of the Manager with corporate and control bodies, corporate functions and Group companies, in compliance with the Company By-laws. The Guidelines are consistent with the standards of the Italian association of chief executive and financial officers (*Associazione nazionale direttori amministrativi e finanziari* or "ANDAF");
- The Financial Reporting Model of Governance and Control (the "Model") issued by the Manager responsible for financial reporting, together with the head of Human Resources and Organisation, which sets out the method of coordination, within the Group, of processing, preparing and controlling accounting records, in addition to the principles applied by Poste Italiane for the establishment and maintenance of suitable internal controls over financial reporting. The Model incorporates the COSO[4] Report recommended by Confindustria (the Confederation of Italian Industry) in the guidelines for the duties of the Manager responsible for financial reporting, pursuant to art. 154 of the Consolidated Law on Finance and by ANDAF in a position paper on the manager responsible for financial reporting, entitled *Il Dirigente Preposto alla redazione dei documenti contabili e societari*.

Finally, in order to assure the reciprocal and effective exchange of information between the various supervisory bodies and functions, the Manager responsible for financial reporting is invited to attend meetings of the Board of Statutory Auditors and is a member of the Executive Committee, BancoPosta's Cross-functional Committee and the Finance, Savings and Investment Committee.

A number of initiatives designed to bring the activities of the Manager responsible for financial reporting into line with the leading practices adopted by listed companies have been identified and begun.

Risks and control activities

As explained above, the Group Risk Management function, in coordination with Bancoposta's Risk Management and in collaboration with the other functions involved, analyse and assess corporate risks, including the operational risks to which the Company and Group are exposed[5], using methods based on the international Enterprise Risk Management model. BancoPosta's Risk Management adapts this method and develops it through the dissemination of specific models and guidelines, in order to ensure compliance with regulatory requirements for the providers of banking services. BancoPosta also has a specific organisational unit, named Process and Procedure Management and Development, for defining and reviewing procedures in accordance with the applicable laws and regulations.

Poste Italiane also has specific organisational units to assure its assets and data are safeguarded. Their work in this connection entails both the detection of internal and external (e.g., theft) criminal acts, and preventative measures, involving the development of policy and procedures and the analysis of potential vulnerability and critical events,

[4] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines the system of internal control "as a process, effected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and, compliance with applicable laws and regulations".

[5] A detailed description of risk management is contained in the section of this Report entitled "Risk management for the Group and Poste Italiane SpA" and, with regard to financial risks in the strictest sense of the term (interest rate, liquidity and counterparty risk, etc.), in Poste Italiane's financial statements (5. Risk management, and 7. BancoPosta RFC -Separate Report), which, together with this Directors' Report on Operations, form a further section of this Annual Report.

above all in connection with data protection. Finally, changes are being made with regard to the various specialist functions with responsibility for safety at work.

The assessment of the risk of errors in financial reporting is carried out in connection with the development of administrative and accounting procedures, conducted by the above-mentioned Group Risk Management function. The documents are issued by the Manager responsible for financial reporting in conjunction with Human Resources, Organisation and Services, and regulate, among other things, line (first-level) accounting controls of the various functions involved in the preparation of financial statements. The purposes of these procedures are, particularly, to:

- regulate administrative and accounting aspects of the relevant processes, through identification of the roles and responsibilities of the functions involved, by defining and describing their activities, the information systems used and the controls required to meet certain objectives (the "financial statement assertions"),[6] necessary in order to reasonably assure the accuracy and reliability of financial reporting;
- provide a method for monitoring by the process owner and independent verification.

The process of preparing these procedures entails the following phases:

- identification or revision of the processes involved in the elaboration and preparation of financial information, ranging from the general ledger to components of the financial statements. They are mapped in order of importance of their quantitative and qualitative aspects;
- identification or revision, for each process identified, of administrative-accounting procedures and the controls associated with the financial statement assertions. Controls intended to prevent irregularities that can cause errors in financial reporting are then classified as *ex ante*; those intended to identify irregularities that have already occurred are *ex post*. A distinction is also made between "manual" and, for those controls made by information systems used for the processes, "automated";
- assessment, which is conducted with reference to a risk-control matrix and at the same time as the previous phases, of the effectiveness of existing controls in mitigating the risks of error or the omission of one or more of the financial statement assertions . Risks are assessed in terms of probability and potential impact on the financial statements. In the event controls are not found to be fit for purpose, other so-called "to-be actual" controls are specifically designated;
- the preparation of periodic reports to the Board of Directors on the state of the System and any planned revisions, including progress on the remedy of areas requiring improvement, at the time resolutions approving separate and consolidated annual financial statements and the condensed interim consolidated financial statements are deliberated.

The managers responsible for financial reporting appointed by the most important Group companies follow the same approach as the Parent Company, applying the methods circulated by it. At the end of each annual and half-year reporting period, each manager responsible for financial reporting issues an attestation jointly signed by the company's CEO and with the same wording as the Parent Company's, as required by the CONSOB.

Compliance with ongoing changes in tax rules and accounting standards is provided by specific technical units under Accountancy, Finance and Control Function. In addition, the Company also participates in technical round-

[6] The assertions are:
Existence: the assets and liabilities of the enterprise actually exist and the postings to accounts represent actual occurrences;
Completeness: all transactions have been recorded in the financial statements;
Claims and Obligations: the assets and liabilities of an enterprise represent the company's claims and obligations;
Measurement/Recognition: measurement means that items have been recorded in the financial statements in compliance with the relevant accounting standards (IAS/IFRS) applied in an appropriate and pertinent manner; recognition means that value of transactions is correctly computed, accurately recorded, posted to the ledgers and documented;
Presentation and Disclosure: financial statement items are correctly designated, classified and described and, where applicable, analysed and commented on in the notes and are released together with the most recent information needed for a complete representation of the company's earnings and net assets.

table discussions held by major sector associations and professional bodies on administration, taxation accounting and internal control over financial reporting.

There is also a system of in-house attestation by Poste Italiane's Chief Financial Officer (the Manager responsible for financial reporting), which serves as a basis for attestations relating to various aspects of financial reporting. These are issued by the heads of corporate functions and attest to, among other things, the correctness and completeness of accounting records and related reports, in addition to compliance with relevant administrative and accounting procedures. Analogous attestations are also issued by the Group's senior management.

Information and communication

Poste Italiane's information flows are supported by information systems that, among other things, collate, classify and record transactions for the purposes of processing as well as preparing and controlling financial reporting. The IT internal control system is based on COBIT methodology and covers infrastructure and transversal processes that are typically under the responsibility of the Information Systems function[7] (so-called Company Level Controls and IT General Controls) and so-called Application Controls over processes that support business. IT Company Level Controls and IT General Controls relate to the processes of development and maintenance planning for hardware and software, the determination of the organisational structure of dedicated units, the acquisition and implementation of IT resources, the provision of services and assistance to users, the monitoring and assessment of objectives.

Monitoring

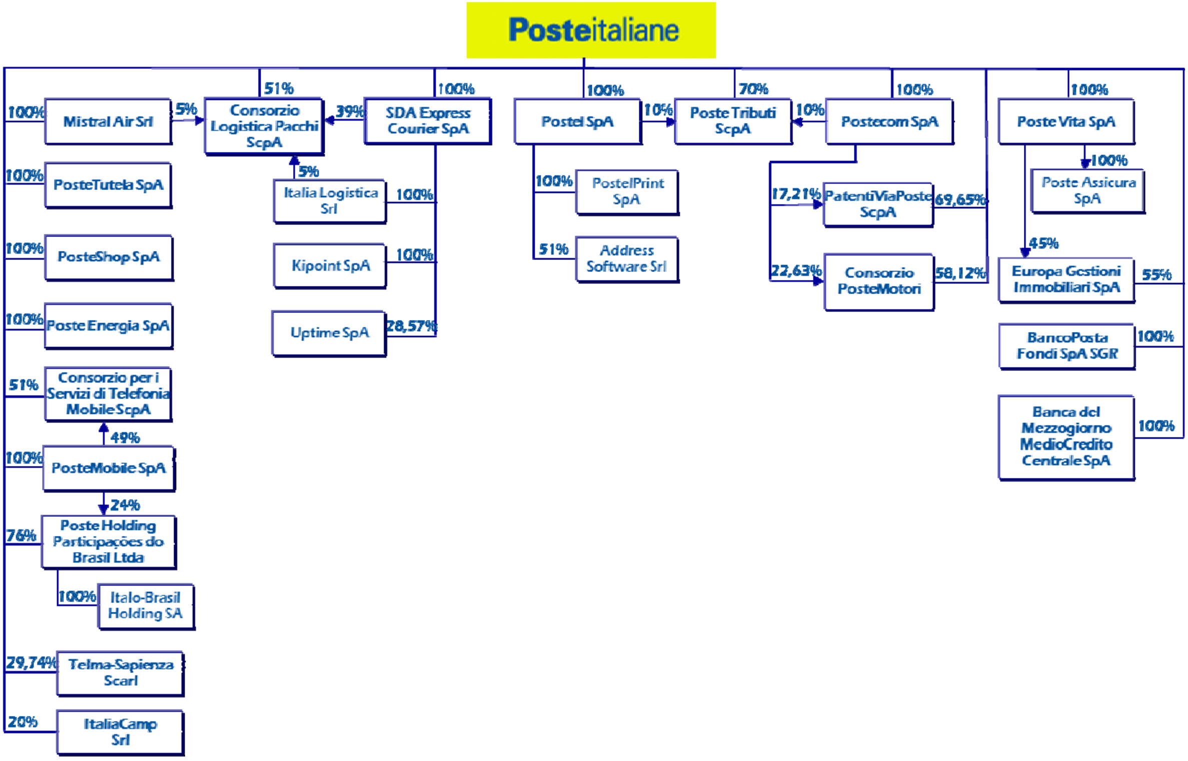
Monitoring is conducted at various levels based on the roles and responsibilities described above. The Company's operating results, financial position and cash flows are also continually monitored through management reports that, as a result of the organisational structure of the Company, are made by the Accountancy, Finance and Control function and other corporate functions through their own administration and control units.

[7] IT systems relating to human resources are under the direct control of Human Resources, Organisation and Services.

2. GROUP ORGANISATIONAL STRUCTURE

2.1 STRUCTURE OF THE POSTE ITALIANE GROUP

The Poste Italiane Group at 31 December 2014: principal companies



2.2 GROUP COMPANIES AND OPERATING SEGMENTS

The Group's operations are divided into four operating segments: Postal and Business services, Financial services, Insurance services and Other services.

POSTAL AND BUSINESS SERVICES

Postal and Business services include the mail, express courier, logistics, parcels and philately activities carried out by Poste Italiane SpA and certain subsidiaries, in addition to the activities conducted by various units of the Parent Company for BancoPosta RFC and the other segments in which the Group operates.

Legislative Decree 58/2011 provides that Poste Italiane SpA is the universal postal service provider for fifteen years from 30 April 2011. The efficiency of provision of the service is verified every five years by the Ministry for Economic Development, based on an assessment performed by the regulator (AGCom - the Italian Communications Authority).

Mail and Philately

Mail includes Poste Italiane SpA traditional postal services, direct marketing and innovative services for paper-based as well as electronic communications in addition to e-Government services.

The Postel Group, consisting of the parent, Postel SpA and other group companies, PostelPrint SpA, Docugest SpA and Address Software Srl, provides communications services to businesses and Public Sector entities. Its full range of services is tailored to the needs of business process outsourcing customers. In addition, consequently, to mass printing and enveloping, which traditionally represents the Group's core business, it also offers:

- e-Document management;
- e-Procurement;
- Direct marketing.

There is also the web-based PostelOffice service accessed through www.posteloffice.it. The service is intended for SMEs and professionals needing personalised printing, office equipment and paper, as well as technological equipment (IT, electronics, and telephony).

With regard to corporate transactions, on 4 July 2014 the parent, Postel SpA, sold its 49% stake in the associate, Docugest SpA, to Cedacri Global Service SpA.

Postecom SpA is the Poste Italiane Group company engaged in technological innovation, specialising in the development, operation and integration of web-based services. The most important areas of specialisation relate to digital certification and communications, e-payments and e-commerce, eGovernment projects, particularly for health services and local taxation, e-procurement and e-learning, in addition to advanced IT security services.

Express Delivery and Parcels

The business relates to express delivery products offered on the deregulated market by Poste Italiane SpA to Retail and SME customers, and by SDA Express Courier SpA to business customers. The provision of standard parcel services falls under the Universal Service obligation (USO).

In addition to being one of the leading express couriers in Italy, SDA Express Courier SpA is also able to provide its customers with integrated solutions for distribution, logistics and catalogue sales. Poste Italiane, in fact, only uses SDA Express Courier (through Consorzio Logistica Pacchi ScpA) for the distribution of all domestic and international Paccocelere, and Paccocelere J+3 products.

Other business services

As noted previously, there are a number of Group companies that provide support services for mail, express delivery, logistics, parcels and philately:

Mistral Air Srl provides air mail services to Poste Italiane SpA (in conjunction with Consorzio Logistica Pacchi ScpA) as part of postal service operations, in addition to air freight and passenger services for other customers. During the year, the Parent Company injected €9.9 million of fresh capital into the company in order to cover losses incurred in the first half of 2014 and establish an extraordinary reserve.

The company reports equity of €4 million in its financial statements for 2014, including the loss of €2.5 million recognised at 31 December 2014 (negative equity of €3.3 million at the end of 2013).

At the end of 2013, Poste Italiane invested €75 million in Alitalia[8], with the aim of obtaining significant industrial and commercial synergies between various Poste Italiane Group companies and the airline. In keeping with the industrial rationale behind the investment, during the year the Poste Italiane Group concluded a number of commercial agreements with Alitalia. A number of these agreements, above all those involving the subsidiary, Mistral Air, are already operational and generated revenue during the year under review.

Despite the fact that, during 2014, Alitalia took a series of steps designed to achieve costs savings and deliver on the commercial strategy set out in its Business Plan, a number of external events and circumstances had a negative impact on its performance. As a result, the objectives in the Plan that formed the basis for Poste Italiane's investment in the airline can no longer be reasonably achieved. This has led Poste Italiane to prudently write-off its investment.

Meanwhile, in August 2014, Alitalia entered into a major strategic agreement with Etihad Airways from the United Arab Emirates. This will see the latter acquire an equity stake in Alitalia with a view to relaunching the company by modernising the fleet and increasing the number of routes served, above all in the long-haul segment. The agreement, which aims to develop a profitable intercontinental network that will involve the restructuring of Alitalia, strengthening the airline from a financial and competitive point of view and in terms of the quality of its offering, was effective 23 December 2014 following completion of all the formalities involved in the contribution of the airline company from Alitalia-CAI SpA to the new Alitalia Sai. At the same time, Etihad subscribed for new shares with a value of €387.5 million in return for a 49% interest, whilst the remaining 51% is held by CAI through Midco SpA. The transaction was effective from 1 January 2015.

In response to the agreement, Poste Italiane conducted a close examination of the airline's new business plan and any further potential synergies that might result from an investment in Alitalia Sai, identifying four areas where synergies were obtainable (logistics, IT/technology, commercial and financial services/cards) in keeping with its new business plan. As a result, Poste Italiane decided to participate in the transaction by subscribing Contingent Convertible Notes[9] amounting to €75 million.

Consorzio Logistica Pacchi ScpA supplements and controls the consortium members' activities relating to the collection, sorting, transport, delivery, storage and custody, forwarding and all other postal related services for mail, parcels and goods in general.

Italia Logistica Srl is a wholly owned subsidiary of SDA Express Courier SpA and provides integrated logistics, document management and technical courier (logistics management, installation and maintenance of electronic equipment, primarily for work stations) services for Group companies and external customers.

The company reports a loss of €5.5 million for the year (a profit of €53 thousand for 2013), resulting in application of art. 2482-ter of the Civil Code (capital below the legal minimum).

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[8] The original interest was 19.48%, subsequently reduced as a result of further share issues not subscribed by Poste Italiane. On 4 February 2015, the percentage interest was reduced to 2.99%.

[9] This is a loan, maturing in 2035 and convertible, on the fulfilment of certain conditions, into an equity instrument pursuant to art. 2346 of the Italian Civil Code. Interest is payable on the Contingent Convertible Notes at a nominal contractual rate of 7% per annum from 1 January 2015. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. At the date of preparation of this Annual Report for 2014, based on the Alitalia Group's business plan, a reasonable estimate of the effective interest rate payable on the Notes amounts to approximately 4.6%.

Europa Gestioni Immobiliari SpA operates in the real estate sector, managing and developing properties (transferred from the Parent Company) through urban and property redevelopment, with a view to their commercialisation (leases and sales). Due to the nature of the properties, the main counterparties are large customers, often Public Sector entities. The company also offers property management to services to Group companies and external customers.

PosteShop SpA sells various types of product through the post office network, through direct or catalogue sales, over the internet at www.posteshop.it and the Contact Centre.

A reorganisation of the company was launched in 2014, involving, among other things, the complete closure of the physical channel, with a progressive run-down of stocks and a halt to the sale of *Gratta&Vinci* (Scratch and Win) lottery tickets at post offices. The company reports a loss of €12.5 million for the year (a profit of €46 thousand for 2013), resulting in application of art. 2447 of the Civil Code (capital below the legal minimum).

Poste Energia SpA procures energy for the Poste Italiane Group, acting as a wholesale purchaser.

PosteTutela SpA offers secure funds logistics services (transport, escort, custody, currency counts), fixed and mobile security, as well as all types of surveillance and protection of sensitive data. These services are provided to the Parent Company's operating units and customers outside the Group, for whom it primarily carries out the movement of cash and valuables.

PatentiViaPoste ScpA is a joint-stock consortium established on 6 December 2012 which is 69.65% owned by Poste Italiane SpA, 17.21% by Postecom SpA, 8.78% by Dedem Automatica Srl and 4.36% by Muhlbauer ID Services GmbH.

The consortium is a not-for-profit entity, and serves as a joint vehicle for the shareholders to manage and execute the contract with the Ministry of Infrastructure and Transport (the "MIT") for the centralised printing, distribution and delivery of the new European driving licences, awarded on 21 November 2012 following a tender process. Within the consortium, Poste Italiane and Postecom are responsible, respectively, for delivery of the driving licences to the public and IT management, while the other partners are responsible for printing the driving licences. The launch of all activities and services began in January 2014. Provision of an additional centralised printing service and the forwarding of vehicle registration certificates also began in March.

In January 2014 Poste Italiane was appointed agent of a yet to be formed consortium to take part in a tender process announced by the MIT. This is for the provision of management and remittance services for payments, by road users, for the services provided by the Department of Transport. Tender participants are bidding for a concession for the collection of fees at post offices and online and payable to the Ministry for services provided by the Department of Motor Vehicles. The concession will be for seven years and entails the provision of high levels of service.

A consortium was thus established on 11 February 2014 and named PosteMotori. With headquarters in Rome and initial capital of €120,000, it is 58.12% owned by Poste Italiane SpA, 22.63% by Postecom SpA, 10.58% by KPMG Advisory SpA and 8.67% by Integrazioni & Sistemi SpA. The consortium began operating on 14 July 2014.

The Antitrust Authority petitioned the Regional Administrative Court in 2013 with respect to the MIT and Poste Italiane to declare the tender null and void and, pending a final ruling, suspending enforceability of the tender, the tender terms and conditions, instructions to bidders, the executive order to announce the tender, all clarifications and all acts in those connections. The grounds cited for the petition were the fact that art. 11 of the tender terms and conditions restricted competition, in that points for the technical bid were awarded on the basis of the "*widespread nature, availability and number of physical payment points*", rendering the bid evaluation process unfair in breach of art. 2 of Legislative Decree 163/06 which established the principle of free and non-discriminatory competition in tenders for the provision and performance of services under concession. The Regional Administrative Court's ruling is pending.

On 29 May 2014 Poste Italiane SpA completed the acquisition of a 20% stake in ItaliaCamp Srl for a total of €2,000. ItaliaCamp puts representatives of civil society, who may wish to propose new initiatives, into contact with the world of business, which is thus able to become familiar with and implement socially innovative ideas.

As reported below, in the section "Organisational Structure of Poste Italiane SpA", in line with the objectives set out in the new Business Plan, the Group set out to revise its organisational and operating model in 2014, with the aim of achieving coherent and integrated management of the Group. This process, which will also be implemented via changes to the Group's ownership structure, aims to pursue commercial and industrial synergies within the Group. In this regard, a number of corporate transactions have taken place:

- SDA Express Courier SpA's sale, to Postelprint SpA, of 20% of Consorzio Logistica Pacchi ScpA;
- the merger of PostelPrint SpA with and into Postel SpA;
- Postel SpA's acquisition of Italia Logistica Srl's "Physical Document Management" business unit and the subsequent merger of the latter company with and into SDA Express Courier SpA.

In addition, Poste Italiane SpA has committed to providing financial support to the subsidiaries, Mistral Air Srl, SDA Express Courier SpA (including as a result of the operating results of the subsidiary, Italia Logistica) and PosteShop SpA.

FINANCIAL SERVICES

The Financial services segment includes current accounts, payment services, financial products (including postal savings products such as Savings Books and Interest-bearing Postal Certificates distributed on behalf of Cassa Depositi e Prestiti SpA) and third-party loan products in accordance with Presidential Decree 144 of 14 March 2001, as amended. These operations were transferred from Poste Italiane SpA to BancoPosta RFC on 2 May 2011.
The Financial services segment also includes the operations of Mezzogiorno-MedioCredito Centrale SpA, in support of companies located in southern Italy through the provision of credit services and facilitating access to government subsidies. The segment also includes the operations of BancoPosta Fondi SpA SGR, which acts as a broker for collective investment undertakings (UCIs).

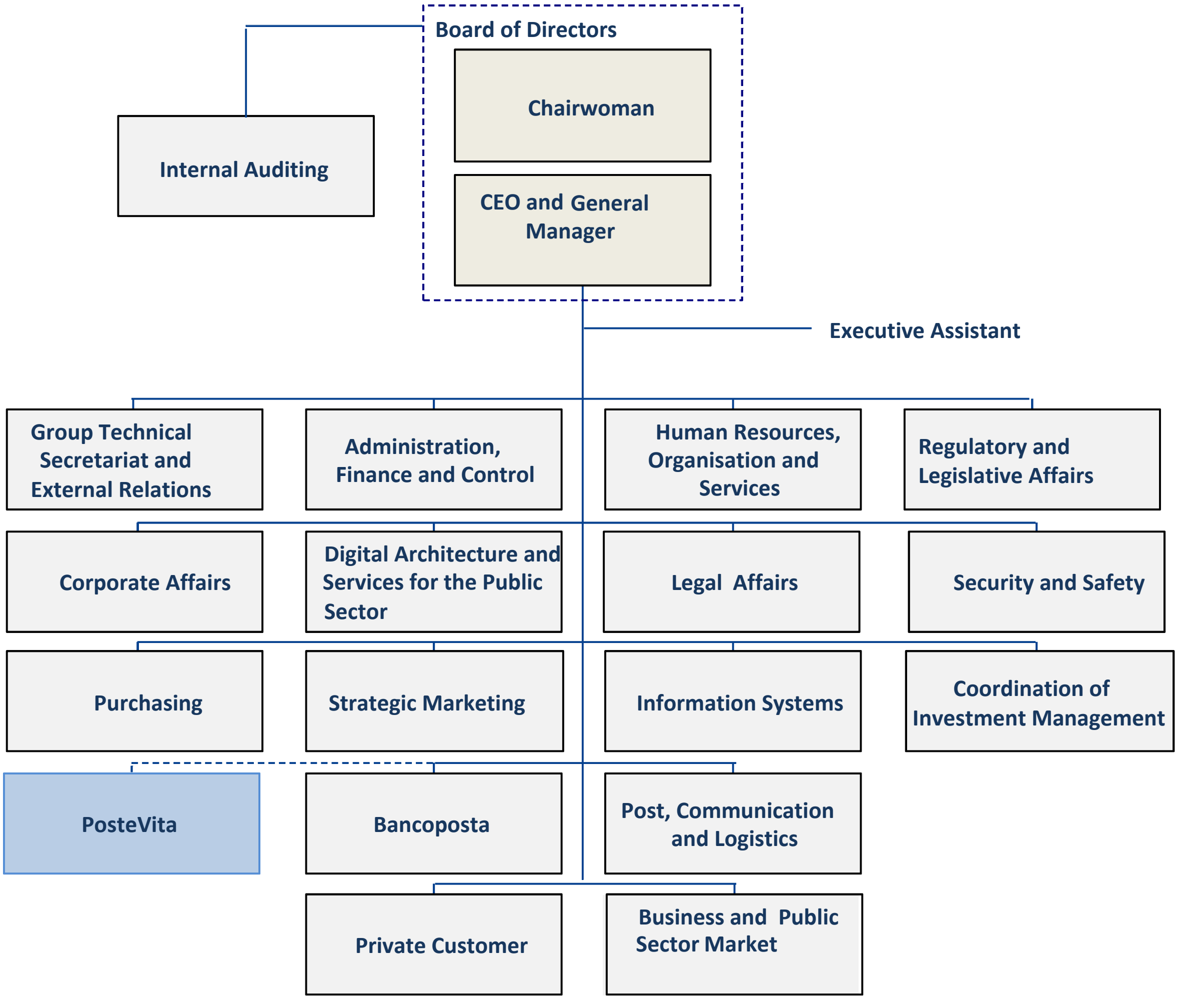
INSURANCE SERVICES

The Insurance services business is run by the Poste Vita Insurance Group, a registered insurance group that includes the parent, Poste Vita SpA, and its subsidiary, Poste Assicura SpA.
Poste Vita SpA operates in ministerial Life Insurance Branches I, III, IV and V and ministerial Non-life Branches I and II (accident and medical).

OTHER SERVICES

The Other services segment includes Poste Mobile SpA and Consorzio per i Servizi di Telefonia Mobile ScpA operations.
PosteMobile is the Group's mobile operator which, in keeping with its planned development, has gradually switched from being an Enhanced Service Provider (or ESP) to operating as a Full MVNO (a Full Mobile Virtual Network Operator).
Consorzio per i Servizi di Telefonia Mobile ScpA is responsible for providing Poste Italiane with electronic communications networks and the related platforms, systems and terminals, by coordinating, organising and managing the resources, equipment and people made available by consortium members. The consortium is also responsible for supplying the related mobile, fixed-line, integrated and value added services.

2.3 ORGANISATIONAL STRUCTURE OF POSTE ITALIANE SPA



Poste Italiane embarked on a revision of the Group's organisational and operating model in 2014, with the aim of enabling implementation of the strategy and achievement of the targets set out in the Business Plan for the period 2015-2019.

The new organisation, which aims to help the Group obtain synergies through industrial integration, resulting in a greater focus on its core businesses and, at the same time, ensuring efficiency and quality, will be implemented through the progressive definition of governance and operating models based on the following guidelines:

- coherent and integrated management of the Group, ensuring a uniform and coordinated approach to the market and exploiting potential synergies, assigning responsibility for coordinating subsidiaries to the specific pertinent functions within the Parent Company;
- simplification of the structure and focus on core businesses: post and logistics; banking, savings and payments; insurance;
- stronger Corporate functions, responsible for management, control and services, capable of ensuring, through coordination and integration of their respective areas of expertise, coherent fulfilment of their assigned roles at Group level and the provision of shared services closely aligned with business needs, thus guaranteeing efficiency, economies of scale, quality and effective support for the different Business functions.

Responsibility for developing and providing the Group's services covered by the three core businesses has been assigned to the following Business functions: Post, Communication and Logistics, Bancoposta and Poste Vita SpA.
The Post, Communication and Logistics function is also responsible for end-to-end management of operating and logistics processes and for planning and managing the logistics chain (for mail and parcels). The aim is to maximise existing synergies between the different logistics networks at Group level, also assuming responsibility for the provision of mail products and services, integrated services, parcels, express delivery and logistics solutions. In order to ensure integrated and coherent management of its specific area of business, Mistral Air SpA, the Postel group, the SDA group and Consorzio Logistica Pacchi ScpA report to the Post, Communication and Logistics function.

The Private Customer and Business and Public Sector Market functions are the Poste Italiane Group's commercial channels responsible for developing and managing frontline commercial activities for all customer segments. The Private Customer function is also responsible for first level customer care.

Corporate functions are central departments that manage, control and provide business support services.

Other measures implemented during the period as part of the revision of Poste Italiane's overall organisational structure include:

- the establishment of a Strategic Marketing function, with the aim of ensuring the alignment of the Group's strategy with development of the product and service offering and commercial policies for the various channels;
- creation of the Coordination of Investment Management function, designed to ensure a coherent and integrated approach to decisions regarding the investment of the savings managed on behalf of the Poste Italiane Group's customers;
- assignment, to the Information Systems function, of responsibility for developing the Group's ICT strategies and overseeing the processes involved in planning the Group's technology needs and designing hardware and software architecture. This will ensure optimal use of the available resources and the achievement of cost-efficiency targets. In order to provide effective business support, specialist competence centres have been created within the function, providing a single interface with marketing and commercial channels;
- redefinition of the area of responsibility of the Human Resources, Organisation and Services function, following absorption of the former Real Estate function: in particular, with a view to ensuring uniform coordination and the consistent application of human resources policies across all regions of the country, the human resources departments that previously operated within branch offices in the Private Market function and Area Delivery Offices and the Sorting Centres overseen by Post, Communication and Logistics have been transferred to the Human Resources, Organisation and Services function.

In addition, following the Bank of Italy's issue of new specific supervisory standards for BancoPosta RFC, a cross-functional was initiated with the aim of ensuring full compliance with the regulatory requirements.
In order to strengthen the integrated governance, coordination and management of the Group's activities, above all with regard to the most important aspects with an impact across all areas of the organisation, a review of the various corporate bodies that support the Chief Executive Officer's decision-making was conducted. This has resulted in the establishment or reconstitution of management committees chaired by him.
Finally, in February 2015, the Group Technical Secretariat and External Relations function was set up, with the aim of ensuring coherent oversight of all the processes involved in external communication and government relations.

2.3.1 PRIVATE CUSTOMER

As noted above, the Private Customer function manages the commercial front end and pre- and after-sales support for the Private Customer, SME and the Local Government segments for which it is responsible, as well as overseeing the development of philately products, their distribution and marketing.

The organisation of the commercial network and related operational support processes breaks down into three levels:

- Multi-regional Area Offices (referred to as Private Customer Area Offices);
- Branch Offices;
- post offices, classified with respect to their business operations, into central, reporting, standard, basic and PosteImpresa offices (the latter categorised as top, medium or basic).

In continuation of the rationalisation process, the number of post offices was reduced in 2014 from 13,310 at 31 December 2013 (including 257 Poste Impresa offices) to 13,233 at 31 December 2014 (including 248 Poste Impresa offices).

	At 31 December 2013		At 31 December 2014	
	Number	Workforce	Number	Workforce
Private Customer Area Offices	9	2,398	9	2,235
Branch offices	132	4,394	132	3,773
Post offices	13,310	59,876	13,233	59,589

All workforce data is shown in full-time equivalent terms.

Back-office activities are partly carried out at post offices, and partly at 15 specialist service centres (Centralised Service Teams) spread around the country, which carry out back-office processes and are the sole point of reference for post offices with regard to such activities, handling both Private Customers and business customers (SMEs and Local Government).

With the aim of optimising front and back-office processes, rendering sales network support more effective and strengthening the market position, implementation of the projects launched in the previous year continued, alongside the development of new initiatives designed to keep pace with the organisational changes being introduced.

The main initiatives regarded:

- regarding Customer Services, 7 new contact centres (Trento, Perugia, Bari, Taranto, Lamezia Terme, Siracusa and Cagliari) began operating, bringing the total number of operational centres to 18 at the end of 2014, whilst existing centres were enhanced in order to improve expected and perceived service quality. The role of "money-laundering prevention consultant" was also established for the Centralised Service Teams in order to strengthen management of operating processes and procedures relating to efforts to combat money laundering;
- with regard to operations, responsibility for managing Local Depots and the related distribution of products and materials to the sales network was assigned to the Logistics and Infrastructure function, with the aim of optimising the entire process;
- in order to better serve the market and exploit new growth opportunities in the retail segment, the number of Specialist Commercial Financial Promoters, operating within the scope of Area Office Private Commercial activities in order to promote and place certain investment products and services, was further expanded;

- Corners, staffed by dedicated specialists in non-life insurance products, began operating, with a view to ensuring an adequate market presence. At 31 December 2014, the number of Corners in operation stood at 41.

PRIVATE CUSTOMERS

In response to current market conditions, which have seen to a reduction in customer demand for credit, the Financial and Loan Products Consulting Rooms are gradually being converted into general Consulting Rooms. These Rooms, which are separate spaces created within post offices for private customers, have been set up to market financial and insurance products. At 31 December 2014, there were 5,027 of these rooms, including 180 in the process of being set up.

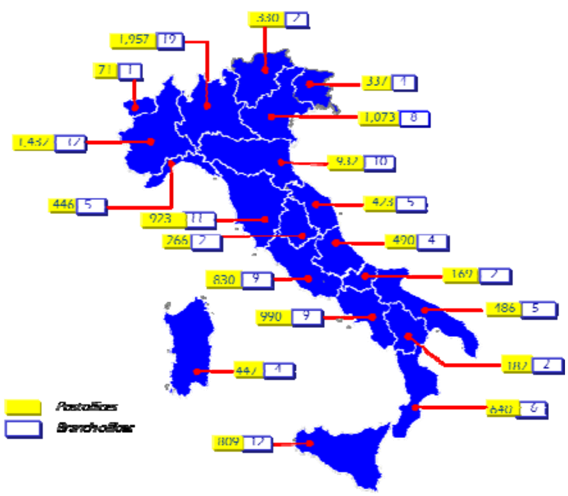
SMALL AND MEDIUM ENTERPRISES AND LOCAL GOVERNMENT

Rationalisation of the network of PosteImpresa offices, allocated to the Business segment (SMEs and a part of Local Government) managed by the Private Customer function, continued in 2014. In addition to counter staff and PosteImpresa consultants on flexible shifts, PosteImpresa offices also have specialists in each industrial sector, tasked with establishing direct relations with customers with a view to acquiring new business and developing relations with actual and prospective customers in a number of sectors (professionals, companies, craftsmen, traders, service providers and associations), in addition to dedicated Business and Local Government sales personnel.

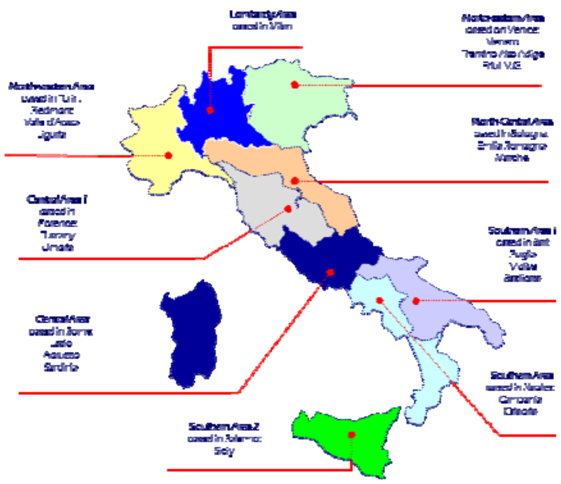
Furthermore, professionals dedicated to business customers are present in the post offices with the greatest business potential.

Additionally, each Area Office has a function providing a link between central departments and PosteImpresa offices, disseminating commercial policies, offering specialist support to the channel in marketing the offering, carrying out surveys of the market and of changes in customer needs, and checking on the progressive implementation of commercial strategies at Area Office level.

Geographical distribution of Post offices and Branch offices



Geographical distribution of Areas



2.3.2 BUSINESS AND PUBLIC SECTOR

The Business and Public Sector function is responsible for developing business with customers in the premium, top and large business segments, in Central Government and some Local Government customers and Commercial Partners.

The business model consists of central functions responsible for the pre-sales and post-sales processes and commercial planning, either directly or in coordination with the corresponding local functions, and for the processes involved in sales to the Central Government segment and for developing commercial partnership agreements.
The geographical presence consists of seven Area Offices, each responsible for all phases of business (pre-sales, sales and post-sales processes and commercial planning).

2.3.3 POST, COMMUNICATION AND LOGISTICS

As noted above, the Post, Communication and Logistics function was set up in 2014, with the aim of bringing all areas of business relating the postal, logistics and communications services provided by the Group under one roof. This function is responsible for end-to-end management of operating processes, development and management of the offering and the activities involved in its supply.
The logistics process[10] is organised on two levels, the first of which deals with coordination and is represented by Area Logistics Offices responsible for one or more regions, whilst the second is operational and includes sorting centres (mechanical and manual) and distribution centres (Delivery Offices).

	At 31 December 2013		At 31 December 2014	
	Number	Workforce	Number	Workforce
Area Logistics Offices (*)	9	2,759	9	2,517
Sorting Centres	19	9,479	18	8,818
Priority Centres	4	503	5	602
Logistics support	2	274	2	284
Delivery Offices (**)	2,480	46,944	2,412	44,968

All workforce data is shown in full-time equivalent terms.

(*) The geographical distribution of Offices at 31 December 2014 is as follows: Piedmont, Valle d'Aosta and Liguria; Lombardy; Veneto, Trentino Alto Adige and Friuli Venezia Giulia; Emilia Romagna and Marche; Tuscany and Umbria; Lazio, Abruzzo, Molise and Sardinia; Campania and Calabria; Puglia and Basilicata; Sicily.

(**) Delivery staff include 34,876 postmen and women and delivery supervisors (36,888 at 31 December 2013).

The principal initiatives implemented during 2014 regard consolidation of the process of reorganising Postal services in accordance with the National Agreement of 28 February 2013, relating to both Delivery services and the Logistics Network.
In particular, among the various steps taken to further standardise delivery processes, the "Operational compliance and delivery standardisation" project, already rolled out in the North-eastern, Central 1, North-Central and Southern 2 Logistics Area Offices, was extended to include the Southern 1 and North-western Logistics Area Offices. The aim is to improve operational standards at Distribution Centres and making it easier for staff to understand the processes involved through preparation of a "Distribution Centre Manual".

[10] The logistics process covers receipt, collection, transport, sorting and delivery.

In terms of the Electronic Postman project, 17,400 handheld kits (including 13,300 to replace obsolete kits) were distributed to postmen and women in 2014, making a total of approximately 30 thousand handheld devices distributed throughout Italy (26,000 kits in 2013).
The gradual process of insourcing the delivery activities carried out by Delivery Agents also continued.
In terms of the Logistics Network, with reference to the Parcel Logistics Integration Plan, the insourcing of activities in order to transfer responsibility for the delivery of Poste Italiane branded parcels weighing up to 3 kg to postmen and women was completed for shipments to and from the 49 provinces covered by the Plan. From the end of 2014, trials have been conducted with a view to increasing the weight limit for the parcels distributed by postmen and women to 5 kg.
The following changes to the Logistics Network were also introduced in line with the rationalisation plan provided for in the above the National Agreement with the unions:

- the Milan Peschiera Borromeo, Milan Roserio and Roma Fiumicino Sorting Centres have been converted into Multi-product Sorting Centres;
- the Cagliari Sorting Centre was converted into a Specialist Sorting Centre;
- the Pescara Sorting Centre was converted into a Priority Centre.

In addition, work on upgrading the Padua Sorting Centre is nearing completion, in preparation for rationalisation of the Venice Area.

Distribution of Area Postal Logistics Offices

Distribution of Postal Network Centres

	SC	PC	LS
Piedmont - V. Aosta - Liguria	2	1	-
Lombardy	3	-	-
Triveneto	3	1	-
Emilia Romagna - Marche	2	-	-
Tuscany - Umbria	1	2	-
Lazio - Abruzzo - Molise - Sardinia	2	1	2
Campania - Calabria	2	-	-
Puglia - Basilicata	1	-	-
Sicily	2	-	-
TOTAL	**18**	**5**	**2**

2.3.4 BANCOPOSTA

The Bancoposta function, partly by coordinating the operations of a number of Group companies and without affecting the operational autonomy of these companies in compliance with the relevant legal and regulatory requirements, is responsible for creating, designing and managing the Group's financial product and service offerings.

In addition, the function carries out a number of operating processes relating to its area of business at sites located around the country, including:

- three Unified Service Automation Centres, where the payment slips for bills paid at post offices are processed;
- two Centres for the processing of cleared cheques;

- two Multi-service Centres located in Turin and Ancona, which carry out certain back-office processes (fraud analysis and management, credit checks, the management of payment orders for legal and other expenses, as well as postal savings products).

2.3.5 CORPORATE FUNCTIONS

Corporate functions work closely with the business functions in order to provide support across all areas of business with the aim of ensuring the smooth running of the Company. Certain functions (Human Resources, Organisation and Services, Purchasing, Internal Auditing, Information Systems and Security & Safety) also have their own local units responsible for the correct operational application of guidelines laid down by the respective central functions.

2.4. DISTRIBUTION CHANNELS

One of Poste Italiane's distinguishing features is the multi-channel nature of all of the businesses in which it operates and its ability to provide services through its network, so as to connect persons, enterprises and institutions throughout Italy. This approach has meant increasing the number of customer contact points over the years, while at the same time responding to their needs with ever increasing efficiency.

The numerous contact points established over the years are: Counters, Consulting Rooms, the PosteImpresa network and the Business Sales Force channel, PosteMobile Corners (areas dedicated to the sale and promotion of Poste Mobile products and services, equipped with a showcase and a product display counter, and staffed by dedicated personnel) and the new insurance corners (set up on an experimental basis during the year), the Contact Centre, the Electronic Postman, the website, www.poste.it, and the more innovative social networks, Facebook, Twitter Pinterest and YouTube.

The network of electronic postmen and women has become increasingly important over the years. Partly because of the possibilities offered by advanced technology, the range of services and products on offer will be enhanced and expanded in line with customer needs. As a result of the use of handheld computers that can be used for tracking and of a POS for electronic money payments, it is already possible for postmen and women to provide many services on the customer's doorstep (e.g., the payment of bills by payment slip, PostePay or PosteMobile SIM top-ups, the mailing of small parcels to anywhere in Italy using PostaFree and requests for personalised delivery services).

Sales and contact channels regarding retail customers, Small and Medium Enterprises (SMEs) and some Local Government customers are supervised by the Private Customer function, which coordinates the network of post offices and contact centre services.

The Business and Public Sector function is responsible for developing business with Large Accounts, Central Government and some Local Government customers.

2.4.1 RETAIL/SME

As part of efforts to speed-up access to the Group's services for retail customers, the use of electronic forms of current account contracts and of the main over-the-counter financial transactions was expanded. In addition to enabling paper to be saved and more efficient use of space in post offices, this ensures compliance with legal and regulatory requirements, as well as the elimination of errors and a reduction in processing times. At 31 December 2014, around 2,800 post offices with Consulting Rooms and specially enabled counters are equipped to operate in this way.

Moreover, a number of different applications have been introduced or expanded to simplify the activities involved in the commercialisation and sale of financial services; these include the "New Commercial Front-End" application, rolled out in all post offices, which provides tools for appropriate customer management and is used in the marketing of *BancoPosta Più*, *BancoPosta Click* and *BancoPosta In Proprio* current accounts.

Again with regard to financial services, a new version of the application used to handle applications for consumer and business loans was released. This has enabled the Group to standardise the processes involved in handling the various products, improve channels of communication with financial partners and optimise the handling of applications. A new function was also added to the application, enabling customers to look through all the various products on offer and more effectively select the right kind of loan for their needs.

A new Order Management application[11] for postal products was introduced, with functions designed to optimise the over-the-counter receipt of mail and parcels.

[11] The application has automated the process of providing all mail and parcel post services.

The number of Specialist Commercial Financial Promoters was increased during the year (129 at 31 December 2014, compared with 86 at 31 December 2013) and, as described in the section on organisation, with a view to bringing all the Consulting Rooms[12] under one roof that includes insurance as well as loan products in their offering, the number of Consulting Rooms was reduced from 5,057 at 31 December 2013 to 5,027 at 31 December 2014.

Extension of the national ATM network, amounting to approximately 7,200 machines at 31 December 2014 (compared with around 7,000 at 31 December 2013) continued, and new separate Postamat tills were created at some post offices. At 31 December 2014, 2,759 post offices have Postamat tills (2,719 at 31 December 2013), with a total of 3,899 counters reserved for BancoPosta current account holders (3,725 at 31 December 2013).

Continuing Poste Italiane's development of its mobile telephony business, the number of PosteMobile corners inside post offices has been increased. At 31 December 2014, there were a total of 319 corners in operation, making a total of 338 corners installed (169 corners in operation at 31 December 2013).

In addition, in order to provide improved support to customers seeking insurance cover and savings products, 41 insurance corners were set up on an experimental basis, staffed by personnel with expertise in non-life insurance products.

Regarding the PosteImpresa Offices channel (248 offices in operation at 31 December 2014) and the Business Sales Force channel, the following activities continued:

- efficiency improvements for PosteImpresa Offices, via the closure of those located in areas with low business potential;
- efforts to boost commercial effectiveness and sales network management, including, among other things, optimisation of pre-sales commercial procedures via the management of "personalised" commercial solutions, definition of the criteria to be used in structuring and allocating customer portfolios, and ongoing support for the relevant local offices.

2.4.2 BUSINESS AND THE PUBLIC SECTOR

Activities launched in previous year aimed at creating a new business model continued. The main initiatives, which entail a closer relationship with customers[13], regarded:

- more dynamic management of tenders by boosting Sales Support and Tender Coordination;
- differentiation of the after-sales support model in terms of the size of a customer's turnover and the complexity of the services provided, as well as standardisation of the procedures and channels used in requesting support;
- training programmes in the form of coaching, with the aim of strengthening the expertise of staff involved in pre- and after-sales processes.

2.4.3 THE CONTACT CENTRE AND THE INTERNET

In 2014, the Poste Risponde Contact Centre handled approximately 21.9 million contacts (17.9 million contacts in 2013), of which over 90% for the captive market. The main services provided in support of internal Group activities regarded: retail customer relationship management regarding financial, postal and internet-related matters; assisting the post office network with enquiries regarding regulations, operations and product and service support; after-sales services and assistance to post offices regarding Poste Vita, Poste Assicura and Poste Mobile products and PosteShop customer care.

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[12] At 31 December 2013 two types of Consulting Room were present in post offices: Financial/Loan Product Consulting Rooms and Insurance Product Consulting Rooms.

[13] From 2013, customers have been divided into the following segments: Premium, TOP, Large, Local Government, Central Government and Commercial Partners.

Seven new contact centres (Trento, Perugia, Bari, Taranto, Lamezia Terme, Siracusa and Cagliari) were opened during the period and existing ones enhanced, in order to improve expected and perceived service quality.

The web distribution channel run by Postecom via the website www.poste.it and other dedicated web portals provides access to online services for around 11.3 million retail and business customers (9.8 million at 31 December 2013), operating as a direct end-to-end sales channel and as a support provider for other channels.

In addition to ordinary activities, including updates to the editorial and multimedia content of websites and portals[14], Postecom implemented initiatives aimed at improving the Group's online offerings. The main initiatives included:

- implementation of a process on Poste.it regarding online certification of mobile phone numbers using PCRs (Personal Card Readers) for BancoPosta account holders, aimed at simplifying the process for enabling Postepay cards to be used on the internet and for activating the PosteID service;
- restyling of the Postepay.it website, entailing a new page layout, a new navigation menu and modification of the information architecture, required to accommodate the new Postepay card initiatives during the period, such as PostepayCrowd, a crowdfunding service for promoting and raising collective funds for a specific initiative, and PostepayIoStudio, aimed at Italian secondary school students, regarding management of the Student Card developed by Poste Italiane and the Ministry of Education, Universities and Research.

[14] www.poste.it, www.posteecommerce.it, www.poste-impresa.it ; www.postepay.it, www.poste-cloud.it, www.postesalute.it

3. FINANCIAL REVIEW

3.1 MACROECONOMIC AND MARKET ENVIRONMENT

Growth in the global economy and in international trade was limited in 2014, coming in well below expectations. Global GDP grew at the same rate as 2013, with the principal regions recorded differing trends.

Among the industrialised nations, the United States recorded a positive upturn in economic activity for the fifth consecutive year, on the back of increased consumer spending and investment. A number of emerging nations made a positive contribution, above all in Asia, where the Chinese economy performed well, even if growth was below the government's target.

These positive signs contrasted with the uncertain performance of the Japanese economy, with the Bank of Japan's expansionary policies, based on the purchase of long-dated government bonds, failed to encourage investment, whilst driving down the value of the country's currency. Russia, whose economy is heavily dependent on oil exports, registered a downturn; the falling price of oil was reflected in a decline in the value of the rouble, which was heightened by tougher international trade and financial sanctions, resulting in significant capital flight.

The euro zone economy, on the other hand, recorded positive, if modest, growth, but unemployment remained high, accompanied by deflationary pressures. To head off the risk of a prolonged period of low growth, the European Central Bank (ECB) cut its main interest rate to a record low and adopted a number of unconventional measures, such as its Targeted Long Term Repo Operations (TLTRO) and Asset-Backed Securities Purchase Programme (ABSPP). The Bank also confirmed its intention to make use, if necessary, of further quantitative easing.

2014 thus began to see the monetary policies of the BCE and the American Federal Reserve diverge, reflecting different stages in the economic cycles, and this has led to a significant decline in the value of the euro against the dollar.

Italy registered a decline in GDP for the third year running in 2014. Slight increases in consumer spending and net exports were insufficient to offset declines in other measures of domestic consumption.

Fiscal measures, designed to boost private consumption and investment, have yet to produce any noticeable effect. Moreover, the rate of unemployment, which has remained at extremely high levels, and a lack of business confidence in the prospects for economic recovery, continued to hold back investment.

The Italian economy could, in the coming months, benefit from the impact of the expansionary measures introduced by the ECB in March 2015 (Quantitative Easing), the devaluation of the euro against the dollar and the falling oil price, which has fallen 50% in just a few months.

THE BUSINESS MAIL SERVICES MARKET

Against a backdrop marked by a deep economic crisis, to be followed by what is expected to be no more than a modest recovery in the euro zone in the next five years, all postal operators registered negative market performances in 2014. International operators saw their turnover decline by between 2% and 11%, even in countries where the macroeconomic environment is more positive than in Italy. In this regard, a number of national regulators are looking at the possibility of making changes to the regulations governing postal services, with a view, on the one hand, to safeguarding the sustainability of the Universal Service supplied by public providers and, on the other, to opening up the market to full competition. The study of the Universal Service Obligation (USO) conducted by the ERPG (European Regulators Group of Postal Services) shows which characteristics are common to all the countries examined:

- inclusion within the scope of the USO of all mail and parcel services;
- exemption from VAT;

- collection at least once a day and delivery distributed over 5/6 days a week;
- price regulation;
- the need for private operators to obtain a licence.

Despite the negative trends of recent years, the number of postal service providers is on the rise, in terms of both the number of licences issued by the Ministry for Economic Development and the size of the network of outlets in operation.

This growth is due in part to the expansion of franchise networks (reflecting the addition of new franchisees), and partly to the growing popularity of the operating model based on "indirect affiliates".

Against this backdrop, in the three years since full deregulation of the Italian postal services market (brought about by Legislative Decree 58 of 31 March 2011), Poste Italiane has, as the provider of the universal service, continued to provide high quality postal services throughout Italy, including less profitable areas.

FINANCIAL MARKET TRENDS

In terms of the financial markets, 2014 was a year of differing performances in the various geographical areas. The principal international stock exchanges continued the upward trend of recent years, with strong performances recorded by the US and Japanese markets. The SP500 in the US and Japan's Nikkei 225 registered annual rises of 12.7% and 7.1%, respectively, benefitting from the improving US economy and the Bank of Japan's new expansionary policies.

After a positive first half, European markets fell back in the second part of the year, reflecting growing fears about economic stagnation and, above all with regard to certain peripheral countries, geopolitical tensions involving Ukraine and Russia. Despite this, the Eurostoxx50 was up 0.87% over the full year).

In 2014, the market for European government bonds registered a significant decline in yields in all countries except Greece. The fall in yields was accompanied by a substantial reduction in volatility. The ECB played a key role in the European government bond market, through (as noted above) increasing recourse to both conventional and unconventional measures from the second half of the year. Whilst the Bank managed to finally head off the risk of a breakup of the euro zone in the first half of the year, making use of forward guidance, from June on it began to adopt new expansionary monetary policies, which involved progressive cuts in interest rates to 0.05%, a reduction in the deposit facility rate, which became negative (-0.20%), and suspension of its Securities Market Programme. In spite of this, macroeconomic data remained below expectations, in terms of both growth and inflation, leading to a decline in yields on government debt and forcing the ECB to introduce new measures.

On the foreign exchange markets, the different approaches to monetary policy and divergent economic cycles resulted in extreme volatility. The expansionary monetary policy adopted by the ECB in the second part of the year thus resulted in a significant fall in the value of the euro against the US dollar (the average EUR/USD exchange rate in December 2014 was 1.233, versus 1.359 in June 2014).

Finally, the Swiss Central Bank's decision, early in 2015, to scrap its policy of pegging the Swiss franc to the euro also had a significant impact on the foreign exchange markets, driving up the value of the franc by approximately 20% against the euro.

THE ITALIAN BANKING SYSTEM

Aggregate deposits by resident savers[15] rose in 2014, with deposits up by approximately €32.8 billion year on year, or 2.9%.

Funding costs (deposits, bonds and repurchase agreements) followed a downward trend. The average cost of customer deposits for December 2014 was 1.49%, compared with the 1.71% of June 2014 and 1.88% of December 2013.

Bank lending was negatively influenced by a decline in investment and the weak economy, with lending down in 2014 (total lending in December 2014 – excluding interbank loans – amounted to €1,821 billion, compared with the €1,853 billion of December 2013), even if the trend was reversed towards the end of the year. In detail, lending to consumers and non-finance companies in December 2014 was approximately €1,417 billion (similar to the figure of one year earlier).

Gross non-performing loans reported by the banking system were up on the already high levels recorded in 2013, amounting to approximately €181 billion in November 2014. This represents a year-on-year increase of 21%. As a percentage of total loans, non-performing loans are at their highest level since 1998 at 9.5% (compared with the 7.8% of the same period of the previous year), with the figure for corporate loans 15.9% (12.6% one year earlier) and the figure for consumer loans 6.9% (6.3% in November 2013). The average interest rate applied to consumer and corporate loans in 2014 declined to 3.6% in December 2014, compared with the 3.8% of December 2013.

THE INSURANCE MARKET

The life insurance market beat all records in Italy 2014. Whilst the final official data is not yet available, the estimated figure for premium revenue, at the end of the year, is approximately €116 billion, up 32% on 2013.

New business, which alone amounted to €106 billion (up 44.4%), was essentially driven by sales of single premium policies which, at approximately €100 billion, represent almost 95% of total inflows. The growth in forms of recurring premium insurance was lower, though still significant.

The driving force behind the Italian insurance market was demand for investment-linked insurance policies, partly due to the continued weakness of the economy that has led savers to shy away from traditional forms of investment, such as government securities, offering low rates of return.

Inflows into Branch I policies accounted for approximately 63% of the total, whilst Branch III accounted for 33% and inflows into Branch V policies 3/4%. The percentage growth in Branch I and III policies was 45% in both cases, whilst Branch V policies are up approximately 115%, driven by inflows into capital redemption policies linked to separate pools of assets and sold to customer segments (corporate and private) that have rediscovered this form of insurance as an important means of stabilising their investment portfolios.

All the inflows into Branch III products regarded unit-linked policies. 85% regards "classical" policies, whilst the remaining 15% relates to "protected or guaranteed" policies.

As noted above, new investment-linked insurance policies drove the Italian market in 2014 representing 75% of total sales, after growth of 21% (total sales amount to €3.8 billion).

Risk policies achieved good growth, rising10% and accounting for 17% of the total, whilst inflows into new pension plans remained at low levels, with growth of only 4% and accounting for 8%. Inflows into Branch IV policies remained more or less insignificant, with the number of policies sold again failing to exceed 40 thousand.

Turning to the various forms issued, single premium policies accounted for approximately 97% of the total, as a logical result of the progressive financialisation of Life policies in 2014. The average premium rose, moreover, to approximately €50 thousand, no less than 20% up on the previous year.

[15] Represented by "customer deposits", based on Bancoposta figures (Bank of Italy and SI-ABI data).

The non-life insurance market recorded a 3.5% decline in premium revenue in the first nine months of 2014, compared with 2013, with a portfolio of €23.15 billion. The reduction was primarily driven by the weakness in land vehicle insurance and third-party liability insurance for sea, lake, river and canal vessels, which is down 7.3% (accounting for 49.1% of total non-life business, down on the 51.2% recorded at the end of September 2013).

Non-life premium revenue, excluding third-party liability vehicle insurance, amounts to €10.05 billion, up 1.1% in the first nine months of 2014. Other Damage to Property (up 6%), Financial Loss (up 11.5%) and Assistance (up 8.5%). Accident and Medical insurance, on the other hand, recorded falls of 0.6% and 0.4%, respectively.

In terms of distribution channel, outside agents handled 80.4% of non-life premiums written (81.2% in the first nine months of 2013) and 86.7% of third-party liability vehicle insurance premiums (86.4% in the same period of 2013). Direct sales (over the phone and on line) accounted for 5.7% of total non-life business (down on the 6.2% of the previous year), whilst 4% of policies were sold through banks and post offices (up on the 3.7% of the first nine months of 2013).

THE MOBILE VIRTUAL NETWORK OPERATOR (MVNO) MARKET

The ongoing weakness of the economy helped to ease the competitive pressures seen in the mobile telecommunications market in 2013.

AGCom (the Italian Communications Authority) data in the Quarterly Telecommunications Survey show that there was a slowdown in the rate of customer acquisition at all MNOs (Mobile Network Operators) in 2014. The aggregate number of lines at 30 September 2014 amounts to 94.7 million, marking a reduction of 2.8% on the same period of 2013.

At the end of the third quarter of 2014, the total number of mobile customers was down 2.7 million lines year on year, reflecting a reduction of 4.4 million for MNOs and growth of 1.7 million for MVNOs, confirming this segment as the principal driving force in the mobile market. The number of lines reported by MVNOs in the third quarter of 2014 is €6.7 million. PosteMobile continues to lead the MVNO market, with a market share of 47.8%.

The changed market environment, with the resulting reduction in commercial offerings designed to encourage MNP (Mobile Number Portability), has led to a significant slowdown in this segment of the market, with the number of customer switching down 38% on 2013.

In terms of the structure of offerings, all operators are adopted pricing models based around bundled services (voice, text and data), further enhanced with information, entertainment and video streaming. Whilst the use of price plans offering "unlimited" consumption remains the primary method of pricing, all operators are putting the emphasis on the offer of bundles. From a strategic viewpoint, this will, over the long term, result in a reduction in churn rates and a significant slowdown in the decline of ARPU (Average Revenue Per Unit).

3.2 OPERATING RESULTS

The consolidated statement of profit or loss is shown below.

Poste Italiane Group					Poste Italiane SpA			
Increase/(decrease)		Year ended 31 December			Year ended 31 December		Increase/(decrease)	
%	Amount	2013	2014	(€m)	2014	2013	Amount	%
(4.9)	(472)	9,622	9,150	Revenue from sales and services	8,471	8,978	(507)	(5.6)
17.2	2,272	13,200	15,472	Insurance premium revenue	n/a	n/a	n/a	n/a
15.0	491	3,281	3,772	Other income from financial and insurance activities	389	308	81	26.3
(28.5)	(47)	165	118	Other operating income	306	147	159	n/s
8.5	2,244	26,268	28,512	Total revenue	9,166	9,433	(267)	(2.8)
(3.1)	(86)	2,734	2,648	Cost of goods and services	1,921	2,025	(104)	(5.1)
17.1	2,617	15,266	17,883	Net change in technical provisions for insurance business and other claims expenses	n/a	n/a	n/a	n/a
2.7	2	74	76	Other expenses from financial and insurance activities	6	7	(1)	(14.3)
3.7	221	6,008	6,229	Personnel expenses	5,972	5,755	217	3.8
13.9	82	589	671	Depreciation, amortisation and impairments	578	501	77	15.4
(47.4)	27	(57)	(30)	Capitalised costs and expenses	(6)	(5)	(1)	20.0
35.4	90	254	344	Other operating costs	314	233	81	34.8
11.9	2,953	24,868	27,821	Total operating costs	8,785	8,516	269	3.2
(50.6)	**(709)**	**1,400**	**691**	**OPERATING PROFIT/(LOSS)**	**381**	**917**	**(536)**	**(58.5)**
(12.4)	(28)	226	198	Finance income	71	139	(68)	(48.9)
94.9	93	98	191	Finance costs	179	92	87	94.6
n/s	(1)	-	(1)	Profit/(loss) on investments accounted for using the equity method	n/a	n/a	n/a	n/a
(54.4)	**(831)**	**1,528**	**697**	**PROFIT/(LOSS) BEFORE TAX**	**273**	**964**	**(691)**	**(71.7)**
(35.0)	(261)	746	485	Income tax expense	216	474	(258)	(54.4)
n/s	223	(223)	-	Income tax for previous years following change in legislation	-	(218)	218	n/s
(78.9)	**(793)**	**1,005**	**212**	**PROFIT FOR THE YEAR**	**57**	**708**	**(651)**	**(91.9)**

n/a: not applicable
n/s: not significant

During a year in which the economic environment remained challenging, the overall results of the Poste Italiane Group and its Parent Company reflect positive performances from financial and insurance services, offset by a further decline in traditional postal services, which recorded a progressive reduction in revenue, weighing heavily on the results for the year. In particular, the Group's operating profit amounts to €691 million (€1,400 million for 2013), whilst the Parent Company reports a figure of €381million (€917 million for the previous year), reflecting, as already noted, the decline in revenue from Postal and Business services, which is down from the €4,452 million of 2013 to €4,074 million in 2014. As the reader will be aware, the fact that variable costs have limited impact on the operating performance and that the Company's cost structure is primarily made up of personnel expenses has a significant impact on margins. In fact, Postal and Business services contributed a loss of €504 million to the consolidated operating result, compared with a profit of €300 million in the previous year.

It should also be noted in relation to this segment, which benefits from intersegment revenue generated on transactions with BancoPosta RFC, that the Parent Company's postal operations report an operating loss of €1,154 million, after a partial recovery of its Universal Service costs, as calculated under the regulatory accounting model. This result marks a deterioration with respect to 2013, when the operating loss was €575 million.

Revenue from Financial services is in line with the figure for 2013 (€5,358 million in 2014, €5,390 million in 2013), whilst the contribution to operating profit is up 15.5% (€766 million in 2014, compared with €663 million for 2013).

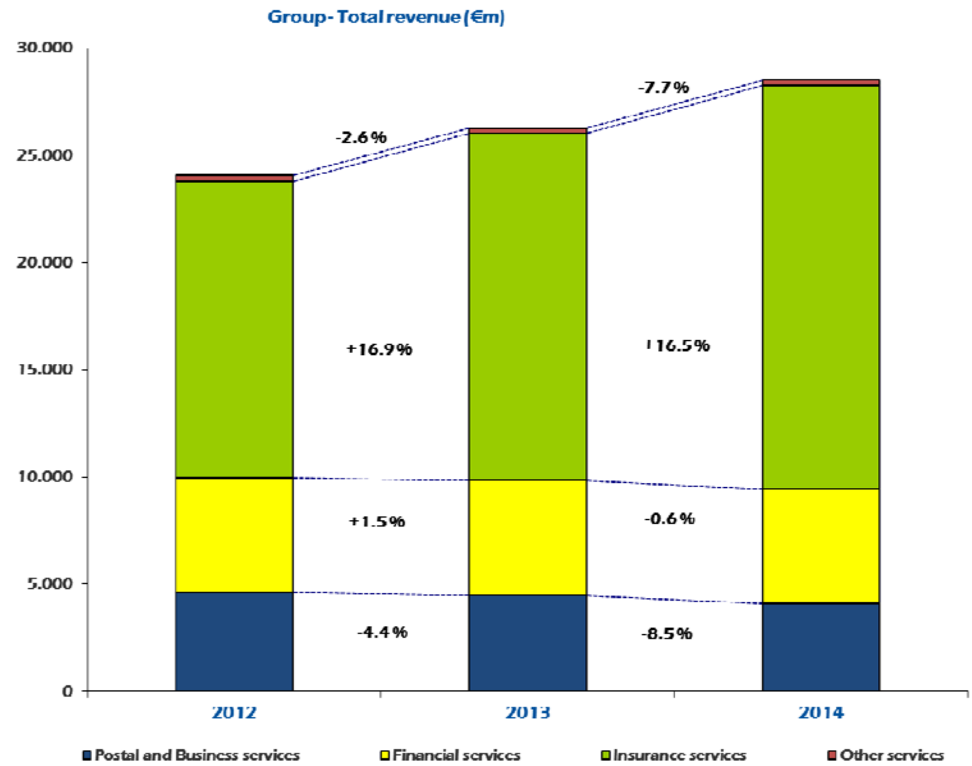
Poste Vita made a significant contribution, reporting an excellent operating performance for the period (€15.4 billion in premium revenue, up 17%), enabling the company to consolidate its growth.

OPERATING RESULTS OF THE POSTE ITALIANE GROUP

Revenue by operating segment [(*)]

for the year ended 31 December (€m)	Total revenue 2013	Total revenue 2014	Increase/(decrease) Amount	Increase/(decrease) %
Postal and Business Services	4,452	4,074	(378)	(8.5)
Financial Services	5,390	5,358	(32)	(0.6)
Insurance Services	16,166	18,840	2,673	16.5
Other Services	260	240	(19)	(7.7)
Total Poste Italiane Group	**26,268**	**28,512**	**2,244**	**8.5**

[(*)] After consolidation adjustments and elimination of intercompany transactions.



for the year ended 31 December (€m)	Revenues from sales and services 2013	Revenues from sales and services 2014	% inc./(dec.)	Insurance premium revenue 2013	Insurance premium revenue 2014	% inc./(dec.)	Other income from financial and insurance activities 2013	Other income from financial and insurance activities 2014	% inc./(dec.)	Other operating income 2013	Other operating income 2014	% inc./(dec.)
Postal and Business Services	4,309	3,964	(8.0)	-	-	-	-	-	-	143	110	(23.1)
Financial Services	5,068	4,950	(2.3)	-	-	-	315	404	28.3	7	4	(42.9)
Insurance Services	-	-	-	13,200	15,472	17.2	2,966	3,368	13.5			-
Other Services	245	236	(3.7)	-	-	-	-	-	-	15	4	(73.3)
Total Poste Italiane Group	**9,622**	**9,150**	**(4.9)**	**13,200**	**15,472**	**17.2**	**3,281**	**3,772**	**15.0**	**165**	**118**	**(28.5)**

The Group's Postal and Business services

(€m)	Total revenue for the year ended 31 December 2013		Total revenue for the year ended 31 December 2014		Increase/ (decrease) Amount	Increase/ (decrease) %
Poste Italiane SpA [*]	3,793		3,545			
of which:						
intercompany revenue	*59*		*279*			
Poste Italiane SpA - external revenue		3,734		3,266	(468)	(12.5)
SDA Express Courier SpA	477		511			
of which:						
intercompany revenue	*105*		*116*			
SDA Express Courier SpA - external revenue		372		395	23	6.1
Postel group	354		318			
of which:						
intercompany revenue	*186*		*171*			
Postel Group - external revenue		168		147	(21)	(12.5)
Italia Logistica srl	67		69			
of which:						
intercompany revenue	*29*		*33*			
Italia Logistica srl - external revenue		38		36	(2)	(5.3)
Mistral Air Srl	103		131			
of which:						
intercompany revenue	*36*		*36*			
Mistral Air Srl - external revenue		67		95	28	41.8
Poste Shop SpA	29		23			
of which:						
intercompany revenue	*1*		*1*			
Poste Shop SpA - external revenue		28		22	(6)	(21.4)
Postecom SpA	117		91			
of which:						
intercompany revenue	*99*		*82*			
Postecom SpA - external revenue		18		9	(9)	(50.0)
Other companies	355		444			
of which:						
intercompany revenue	*328*		*340*			
Other companies - external revenue		27		104	77	n/s
Total external revenue		4,452		4,074	(378)	(8.5)

n/s: not significant

(*) This item includes Postal services revenue, other revenue from the sale of goods and services and other operating income. It does not take into account the portion attributable to BancoPosta RFC.

As noted above, the Group's total revenue of €28,512 million (€26,268 million in 2013) benefitted from the positive contribution from Poste Vita's premium revenue.

Taking a closer look, total revenue from Postal and Business services is down 8.5% (a reduction of €378 million) and continues to suffer from the crisis in traditional forms of communication, reflecting the growing popularity of digital technologies, and the general reduction in demand for products and services, exacerbated by tough price competition.

Total revenue from Financial services, amounting to €5,358 million, is in line with the previous year (down 0.6% on 2013), having benefitted from the positive performance of other income from financial activities, which is up from the €315 million of 2013 to €404 million in 2014. This category of revenue includes income from investments in fixed income Italian government securities, purchased with the aim of anticipating renewal of BancoPosta's investments close to maturity .

The Insurance services provided by the Poste Vita Group have contributed €18,840 million to total revenue, marking growth of 16.5% on the €16,166 million of the previous year.

Total revenue from Other services amounts to €240 million (€260 million in the previous year) and regards the revenue generated by the mobile telecommunications services provided by PosteMobile SpA and Consorzio per i servizi di telefonia Mobile ScpA.

COST ANALYSIS

for the year ended 31 December (€m)	**2013**	**2014**	**% inc./(dec.)**
Cost of goods and services	2,734	2,648	(3.1)
Net change in technical provisions for insurance business and other claims expenses	15,266	17,883	17.1
Other expenses from financial and insurance activities	74	76	2.7
Personnel expenses	6,008	6,229	3.7
Depreciation, amortisation and impairments	589	671	13.9
Capitalised costs and expenses	(57)	(30)	(47.4)
Other operating costs	254	344	35.4
Total operating costs	**24,868**	**27,821**	**11.9**

The cost of goods and services is down 3.1% from €2,734 million in 2013 to €2,648 million in 2014, reflecting a reduction in the cost of funding, represented by interest paid to private customers by BancoPosta RFC and the interest payable to major financial institutions acting as counterparties in repurchase agreements.

The increase in technical provisions for the insurance business and other claims expenses, which is closely linked to the above growth in premium revenue recorded by Poste Vita, amounts to €17,883 million and is up 17.1% on the previous year.

Other expenses from financial and insurance activities of €76 million is in line with the previous year (€74 million in 2013).

Personnel costs

for the year ended 31 December (€m)	2013	2014	Increase/(decrease) Amount	%
Salaries, social security contributions and sundry expenses [(*)]	5,906	5,832	(74)	(1.3)
Redundancy payments	53	152	99	n/s
Net provisions (uses) for disputes	(45)	(11)	34	(75.6)
Provisions for restructuring charges	114	256	142	n/s
Total	**6,028**	**6,229**	**201**	**3.3**
Income from fixed-term and temporary contract agreements	(20)	-	20	n/s
Total personnel expenses	**6,008**	**6,229**	**221**	**3.7**

n/s: not significant

[(*)] This includes the following items described in note C8 to the consolidated financial statements: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

Ordinary personnel expenses, linked to salaries, contributions and sundry expenses, are down 1.3% (a reduction of €74 million) on 2013, reflecting a decrease in the average workforce employed during the year (approximately 800 fewer Full-Time Equivalent staff employed on average in 2014, compared with the previous year) and a reduction in costs compared with 2013, when the figure was influenced by additional pay caused by 3 public holidays falling on a Sunday. The reduction also reflects payments relating to renewal of the national collective contract and payment, in 2013, of a bonus based on the achievement of certain operating results by the Group, in accordance with specific union agreements.

Personnel expenses also reflect an increase in redundancy payments, which are up from €53 million in 2013 to €152 million in 2014, and provisions for restructuring charges of €256 million (provisions of €114 million in 2013), made to cover the estimated costs to be incurred by the Parent Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2016.

Finally, the change in personnel expenses also reflects income of €20 million recognised by the Parent Company in 2013, following the agreements of March 2013 between the Parent Company and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts.

Total personnel expenses are thus up 3.7% from the €6,008 million of 2013 to €6,229 million in 2014.

The above movements in revenue and costs have resulted in operating profit of €691 million (€1,400 million in 2013), as shown in the following table.

OPERATING PROFIT: BY OPERATING SEGMENT

for the year ended 31 December (€m)	2013	2014	Increase/(decrease) Amount	%
Postal and Business Services	300	(504)	(804)	n/s
Financial Services	663	766	103	15.5
Insurance Services	411	415	4	1.0
Other Services	25	14	(11)	(44.0)
Elimination (*)	1	-	(1)	n/s
Total Poste Italiane Group	**1,400**	**691**	**(709)**	**(50.6)**

n/s: not significant

(*) Elimination of costs incurred by Poste Italiane SpA for interest paid to consolidated subsidiaries (recognised by the latter in finance income)

Net finance income of €6 million (€128 million in 2013) reflects, among other things, the impairment loss recognised on the investment in Alitalia-CAI SpA (€75 million).

Income tax expense is down from €746 million in 2013 to €485 million in 2014.

The effective tax rate for 2014 is 69.58%, consisting of the sum of the IRES tax rate (34.69%) and the IRAP tax rate (34.89%). Compared with the figure for 2013, when the effective tax rate was 34.26%, it should be noted that the previous year benefitted from the positive impact of recognition of an IRES refund for the years from 2004 to 2006, in accordance with Law Decree 201 of 6 December 2011 (resulting in a reduction in the tax rate of 14.57%). In addition, the rate for 2014 reflects the greater impact of the non-deductibility of personnel expenses for the purposes of IRAP, due to the fact that profit before tax is lower than for the previous year.

Profit for the year ended 31 December 2014 thus amounts to €212 million (€1,005 million for 2013).

OPERATING RESULTS OF POSTE ITALIANE SPA

Revenue

for the year ended 31 December (€m)	2013	2014	Increase/(decrease) Amount	%
Mail and Philately	3,025	2,713	(312)	(10.3)
Express Delivery and Parcels	123	140	17	13.8
Total market revenue from Postal services (*)	3,148	2,853	(295)	(9.4)
BancoPosta services	5,326	5,228	(98)	(1.8)
Other revenue	105	96	(9)	(8.6)
Market revenue	**8,579**	**8,177**	**(402)**	**(4.7)**
Universal Service Obligation (USO) compensation (*)	343	277	(66)	(19.2)
Electoral subsidies (*)	56	17	(39)	(69.6)
Total revenue from sales and services	**8,978**	**8,471**	**(507)**	**(5.6)**
Other income from financial activities	308	389	81	26.3
Other operating income	147	306	159	n/s
Total revenue attributable to Poste Italiane SpA	**9,433**	**9,166**	**(267)**	**(2.8)**
(*) Market revenue from Postal Services	3,148	2,853		
USO compensation	343	277		
Electoral subsidies (**)	56	17		
Total Postal services	3,547	3,147	(400)	(11.3)

To ensure the comparability of amounts for the two years, certain amounts for 2013 have been reclassified.

(**) Subsidies for tariffs discounted in accordance with the law.

n/s: not significant

Poste Italiane SpA's revenue from sales and services amounts to €8,471 million for 2014, down 5.6% on the figure for 2013 (revenue of €8,978 million in the previous year). As noted in the review of the Group's results, this performance is due to the downturn in revenue from postal and business services market, reflecting a decline in demand for traditional mail services, above all from major customers due to both e-substitution, where electronic forms of communication replace paper forms (individual letters replaced by e-mails, bank statements and bills made available on line, etc.), and a tendency among companies to reduce their dependence on business post in order to cut their operating costs.

As a result, market revenue from mail and philately services is down 10.3% on 2013 (a reduction of €312 million), reflecting a 10.4% reduction in volumes (431 million fewer items sent in 2014, compared with 2013). This is primarily due to the negative performances registered by Unrecorded Mail (volumes down 14.5% and revenue down 14.6%), Recorded Mail (volumes down 6.7% and revenue down 8.1%) and Direct Marketing (volumes down 5.8% and revenue down 6.7% on the previous year), the latter market having been hard hit by the economic downturn of recent years. The performance of the postal services segment also reflects growing use of digital forms of communication between government agencies and the public.

The only area showing any signs of growth is the Express Delivery and Parcels segment, where revenue is up 13.8% from the €123 million of 2013 to €140 million in 2014, thanks to the Company's commitment to developing its e-Commerce offering.

The compensation partially covering the cost of the universal service for 2014 has been determined taking into account the limits represented by the amount earmarked for this purpose in the Government's budget, contained in art.1, paragraph 274 of Law 190 of 23 December 2014 – *Provisions concerning development of the Annual and Multi-year Budget (the 2015 Stability Law)*. The cost incurred by Poste Italiane SpA was calculated using the new "net avoided cost" method, introduced by EU Directive 2008/6/EC and transposed into Italian law by Legislative Decree 58 of 31 March 2011[16]. The compensation, amounting to €277 million, is in any event significantly lower than the actual costs incurred, as calculated by the Company.

Market revenue from BancoPosta services amounts to €5,228 million (€5,326 million in 2013), marking a slight decline (down 1.8%) due to both a reduction in the return on the mandatory deposit of the current account deposits of Public Sector customers with the Ministry of the Economy and Finance (the rate of interest received has fallen from the 2.61% of 31 December 2013 to 1.34% at 31 December 2014), and a reduction in fees generated by the processing of bills paid by payment slip, reflecting a decline in the number of payment slips handled.

Other income from the sale of goods and services, not specifically attributable to postal or financial activities, amounts to €96 million (€105 million in 2013).

Other income from financial activities is up from €308 million in 2013 to €389 million in 2014, essentially reflecting the gain realised on the sale of financial assets attributable to BancoPosta RFC.

Finally, other operating income contributed €306 million (€147 million in the previous year) to total revenue (€9,166 million in 2014, compared with €9,433 million in 2013), including €201 million in dividends from subsidiaries.

[16] This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations. Application of the method requires a series of assumptions in order to construct the hypothetical postal operator without obligations, on which to base assessment of the related net costs and revenues.

COST ANALYSIS

for the year ended 31 December (€m)	2013	2014	% inc./(dec.)
Cost of goods and services	2,025	1,921	(5.1)
Other expenses from financial activities	7	6	(14.3)
Personnel expenses	5,755	5,972	3.8
Depreciation, amortisation and impairments	501	578	15.4
Capitalised costs and expenses	(5)	(6)	20.0
Other operating costs	233	314	34.8
Total operating costs	**8,516**	**8,785**	**3.2**

Operating costs incurred in 2014 are up 3.2% (an increase of €269 million on 2013), primarily due to personnel expenses, as described below.

A closer look shows that the cost of goods and services is down €104 million (5.1%), due primarily to a reduction in interest expense (down €102 million on 2013) paid to BancoPosta's private customers and to major financial institutions acting as counterparties in repurchase agreements.

Depreciation, amortisation and impairments, which have risen from €501 million in 2013 to €578 million in 2014, include impairment losses primarily on industrial buildings owned by the Company (buildings used in operations) and commercial buildings leased by the Company (leasehold improvements). These impairments have been recognised following a prudent assessment of the impact on their value in use, should the future use of such assets in operations be reduced or halted.

Other operating costs are up from €233 million in 2013 to €314 million in 2014, reflecting, among other things, an increase in provisions linked to the procedures and timing involved in the collection of amounts receivable from the parent.

Personnel expenses break down as follows.

Personnel expenses

			Increase/(decrease)	
for the year ended 31 December (€m)	2013	2014	Amount	%
Salaries, social security contributions and sundry expenses [*]	5,655	5,571	(84)	(1.5)
Redundancy payments	53	151	98	n/s
Net provisions for disputes	(47)	(6)	41	(87.2)
Provisions for restructuring charges	114	256	142	n/s
Total	**5,775**	**5,972**	**197**	**3.4**
Income from fixed-term and temporary contract agreements	(20)	-	20	n/s
Total personnel expenses	**5,755**	**5,972**	**217**	**3.8**

n/s: not significant

[*] This includes the following items: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

Ordinary personnel expenses, linked to salaries, contributions and sundry expenses, which are down 1.5% (a reduction of €84 million) on 2013, reflecting a decrease in the average workforce employed during the year (more than 900 fewer Full-Time Equivalent staff employed on average in 2014) and a reduction in costs compared with 2013, when the figure was influenced by additional pay caused by 3 public holidays falling on a Sunday. The reduction also reflects payments relating to renewal of the national collective contract and payment, in 2013, of a bonus based on the achievement of certain operating results by the Group, in accordance with specific union agreements.

Personnel expenses also reflect an increase in redundancy payments, which are up from €53 million in 2013 to €151 million in 2014, and provisions for restructuring charges of €256 million (provisions of €114 million in 2013), made to cover the estimated costs to be incurred by the Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2016.

Personnel expenses also benefit from net releases of €6 million from provisions for disputes (net releases of €47 million in 2013), reflecting updated estimates of the liabilities and related legal expenses, based on both the overall level of claims actually paid and application of the so-called *Collegato lavoro* legislation, which has introduced a cap on compensation payable on current and future claims brought by workers on fixed-term contracts, who have been re-employed on permanent contracts by court order.

Finally, the change in personnel expenses also reflects income of €20 million recognised by Poste Italiane in 2013, following the agreements of March 2013 between the Company and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts.

Again with regard to fixed-term contracts, the Company employed 8,052 people on fixed-term contracts in 2014 (8,149 in 2013), equal to 7,743 FTEs (7,946 FTEs in 2013). As a result of specific measures establishing quotas limiting the use of such contracts, the following should be noted: the permanent workforce at 1 January 2014[17] totalled 143,422 (144,087 at 1 January 2013), equal to 137,983 FTEs (138,877 FTEs at 1 January 2013); the number of people on fixed-term contracts as defined by art. 2, paragraph 1-*bis* of Legislative Decree 368/01[18] – the so-called "*causale finanziaria*" – amounted to 2,388, equal to 2,345 FTEs; the number of people on fixed-term contracts as defined by art. 1, paragraph 1 of Legislative Decree 368/01, as amended by Law Decree 34/14[19] - the so-called "Jobs Act" - amounted to 4,496, equal to 4,260 FTEs[20].

Total personnel expenses are up 3.8% from €5,755 million in 2013 to €5,972 million in 2014.

Net finance costs total €108 million (net finance income of €47 million in 2013), reflecting, among other things, the impairment loss recognised on the investment in Alitalia-CAI SpA (€75 million).

Income tax expense is down from the €474 million of 2013 to €216 million for 2014.

The total effective tax rate for 2014 is 79.16%. Compared with the figure for 2013, when the rate was 26.54%, it should be noted that the previous year benefitted from the positive impact of recognition of an IRES refund for the years from 2004 to 2006, in accordance with Law Decree 201 of 6 December 2011 (resulting in a reduction in the

[17] The workforce at 1 January of each year is identical to the workforce at 31 December of the previous year.

[18] Art. 2, paragraph 1-*bis* of Legislative Decree 368/01 requires, among other things, that fixed-term contracts must not represent more than 15% of a company's workforce on 1 January of the year in which the staff are recruited.

[19] Art. 1, paragraph 1 of Legislative Decree 368/01, as amended by Law Decree 34/14 (the so-called "Jobs Act") establishes, among other things, that employees recruited on fixed-term contracts cannot exceed 20% of a company's permanent workforce at 1 January of the year in which they are recruited, after rounding up to the nearest whole number should the figure be equal to or above 0.5.

[20] The number of fixed-term contracts – expressed in terms of both headcount and FTEs – includes, for 2014, both contracts and renewals during the year in question. In fact, given that Law Decree 34/14 came into force on 21 March 2014, there were no contracts in effect at 1 January of that year previously executed in accordance with the Jobs Act.

tax rate of 22.59%).
In terms of the composition of the tax rate, the effective rates for IRAP and IRES in 2014 are 72.71% and 6.45%, respectively; the significant reduction in the effective tax rate for IRES, compared with the statutory rate of 27.5%, primarily reflects the deductibility (95%) of dividends received from certain subsidiaries.

Profit for 2014 thus amounts to €57 million (€708 million for 2013), despite benefitting from the profit reported by BancoPosta RFC (€440 million), which was unable to offset the losses incurred by the postal business.

3.3 FINANCIAL POSITION AND CASH FLOW

FINANCIAL POSITION AND CASH FLOW OF THE POSTE ITALIANE GROUP

The Poste Italiane Group's net invested capital amounts to €3,677 million (€3,859 million at 31 December 2013), 100% financed by equity.

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Non-current assets		3,145	2,893	(252)
Working capital		3,052	3,941	889
Provisions for risks and charges	[B6]	(1,166)	(1,334)	(168)
Employee termination benefits and pension plans	[B7]	(1,340)	(1,478)	(138)
Deferred tax assets/(liabilities)	[C13]	168	(345)	(513)
Net invested capital		**3,859**	**3,677**	**(182)**

(*) Notes to the consolidated financial statements.

In addition to movements in non-current assets and working capital, the reduction in net invested capital at 31 December 2014 reflects:

- a reduction of €513 million in the net balance of *deferred tax assets/(liabilities)*, primarily due to the increase in the fair value reserve for BancoPosta's investments in securities, which generated an increase in deferred tax liabilities;
- an increase of €168 million in *provisions for risks and charges*, primarily due to the effect of the expected liabilities for restructuring costs.

Non-current assets break down as follows at 31 December 2013 and 31 December 2014:

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Property, plant and equipment	[A1]	2,490	2,296	(194)
Investment property	[A2]	69	67	(2)
Intangible assets	[A3]	577	529	(48)
Investments accounted for using the equity method	[A4]	9	1	(8)
Non-current assets		**3,145**	**2,893**	**(252)**

(*) Notes to the consolidated financial statements.

Compared with the end of 2013, non-current assets are down €251.5 million, as a result of reductions of €689.5 million and additions totalling €438.0 million.

Reductions regard depreciation, amortisation and impairments, totalling €670.8 million, of which €409.0 million regards *property, plant and equipment*, €257.4 million *intangible assets* and €4.4 million depreciation and impairments of *investment property*, after reversals of impairments.

Further reductions in non-current assets regard:

- retirements and sales of €10.9 million, including €7.7 million regarding *intangible assets*, €2.4 million *property, plant and equipment*, €0.6 million *investment property* and €0.2 million *non-current assets held for sale*;
- Postel SpA sale of shares in Docugest SpA, totalling €4.5 million, to Cedacri Global Service SpA;

- the net impact of changes in the scope of consolidation, totalling €2.3 million, reflecting consolidation on a line-by-line basis, from 1 January 2014, of PatentiViaPoste ScpA and PosteTributi ScpA;
- net adjustments of the value of *investments*, totalling €1.0 million. An adjustment of €0.6 million refers to the investment in Docugest SpA, the value of which was aligned with the sale price on 4 July 2014.

Additions regard:

- the purchase of *property, plant and equipment*, totalling €219.6 million, primarily by the Parent Company and attributable to the purchase of new hardware for the technological upgrade and restyling of the Group's post offices, in addition to non-routine maintenance of properties owned by the Group;
- the investment of €217.5 million in *intangible assets*, regarding the purchase of new software licences and the development of network platforms[21] by the Parent Company and Group companies;
- purchases of *investments*, totalling €393 thousand, essentially including (€391 thousand) subscription for the new shares issued by Poste Holding Participações do Brasil Ltda (76% owned by Poste Italiane SpA and 24% owned by PosteMobile SpA). Moreover, following the decision to put the Virtual Mobile Network Operator project in Brazil on hold, on 27 November 2014, Poste Italiane SpA's Board of Directors decided to put the company into liquidation. A further €2 thousand regards the Parent Company's acquisition of 20% of Italia Camp Srl.
- purchases of *investment property*, totalling €0.5 million.

Working capital of breaks down as follows at 31 December 2014 and 31 December 2013:

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Inventories	[A6]	145	139	(6)
Trade receivables and other current receivables and assets	[A7] [A8]	4,575	5,232	657
Trade payables and other current liabilities	[B9] [B10]	(3,390)	(3,317)	73
Current tax assets and liabilities	[C13]	617	634	17
Trade receivables and other non-current assets and liabilities	[A7] [A8] [B10]	1,105	1,253	148
Working capital		**3,052**	**3,941**	**889**

(*) Notes to the consolidated financial statements.

Working capital at 31 December 2014 amounts to €3,941 million, up €889 million compared with the end of 2013. The increase is essentially due to the following.

- An increase of €657 million in *trade receivables and other current receivables and assets*. The main components of this balance include receivables due from the State; in particular, €535 million regards recognition of an amount due from the shareholder which, as provided for in art.1, paragraph 281 of the 2015 Stability Law (Law 190 of 23 December 2014), is due to the return of amounts deducted from the Parent Company's retained earnings on 17 November 2008 and transferred to the MEF, pursuant to the European Commission's Decision C42/2006 of 16 July 2008 (described in greater detail in section 10.1, "Principal proceedings and relations with

[21] Intangible assets consist of costs directly associated with the development of separable and identifiable software products that will provide future economic benefits for a period of more than one year. No research and development costs, other than those just described, are capitalised.

the authorities"). In addition, a further €335 million consists of amounts accruing during the year as Universal Service compensation[22].

- A reduction of €73 million in *trade payables and other current liabilities*, primarily reflecting normal trends in the payment of suppliers.
- a €148 million increase in the balance of *trade receivables and other non-current assets and liabilities*, primarily due to tax assets deriving from the prepayment by Poste Vita SpA (for the years 2010-2014) of withholding and substitute tax on capital gains on life insurance policies.

At 31 December 2014, equity amounts to €8,417.9 million (€7,116.3 million at 31 December 2013) and breaks down as follows:

- Share capital €1,306.1 million
- Reserves €3,159.9 million
- Retained earnings €3,951.9 million.

Compared with 31 December 2013, equity has increased by €1,301.6 million due to the following changes:
Additions:

- a €1,141.8 million increase in fair value reserves net of tax, as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC and Poste Vita SpA;
- movements in the cash flow hedge reserves, amounting to €66.2 million, net of tax;
- profit for the year of €211.9 million;
- €535 million taken to retained earnings as a result of recognition of the amount due from the shareholder which, as described above, is required to return this sum to the Parent Company following the ruling of the EU Court of 13 September 2013, which has become final. As the payment of the sums under the Decision of 2008 were drawn from the Company's portion of retained earnings accrued "ideally" from the returns on Poste Italiane SpA's deposits with the MEF, the MEF's obligation to return the above amounts has, accordingly, also been recognised in retained earnings, to the extent provided for by the 2015 Stability Law. Retained earnings also include taxation of €25.2 million on the interest component of the amount due from the shareholder.

Reductions:

- €500 million regarding the Parent Company's payment of dividends to the shareholder;
- €128.1 million resulting from the recognition in equity of net after-tax actuarial gains and losses on employee termination benefits.

[22] The total amount receivable in the form of Universal Service compensation at 31 December 2014 (€1,087 million) includes €335 million accrued in 2014, €343 million for 2013 and €400 million for the years 2012 and 2011 which, in accordance with the provisions of the Stability Law, are payable within the limits of the amount earmarked for this purpose in the Government's budget and, in any event, are subject to checks by the regulator, AGCom, on quantification of the net cost incurred by Poste Italiane SpA. Further details are provided in section 10.1, "Principal proceedings and relations with the authorities". A further receivable of €9 million regards 2005.

LIQUIDITY

for the year ended 31 December (€m)	2013	2014
Adjusted cash and cash equivalents at beginning of year	**441**	**559**
Cash flow from/(for) operating activities	448	(119)
- cash flow generated by operating activities before movements in working capital	1,135	1,098
- movement in working capital	(51)	(420)
- financial assets and liabilities attributable to financial activities	(584)	(631)
of which BancoPosta deposits not yet invested in financial assets	*906*	*(249)*
- financial assets and liabilities attributable to insurance activities	(352)	(375)
- cash attributable to technical provisions for insurance business	300	209
Cash flow from/(for) investing activities	(720)	(347)
Cash flow from/(for) financing activities	640	1,185
Cash flow from/(for) shareholder transactions	(250)	(500)
Adjusted movement in cash	**118**	**219**
Adjusted cash and cash equivalents at end of year [1]	**559**	**778**
Amounts that cannot be drawn on due to court rulings	(17)	(16)
Current account overdrafts	(5)	(8)
Cash resulting from cash on delivery payments	(7)	(7)
Unrestricted net cash and cash equivalents at end of year	**530**	**747**

[1] Cash and cash equivalents does not include the restricted component of cash deposited in the buffer account held at the MEF (€262 million at 31 December 2013 and €511 million at 31 December 2014) or the component of cash attributable to technical provisions for the insurance business (€624 million at 31 December 2013 and €415 million at 31 December 2014).

Reconciliation with statement of cash flows in financial statements		
Adjusted cash and cash equivalents	559	778
Cash subject to investment restrictions	262	511
Cash attributable to technical provisions for insurance business	624	415
Net cash and cash equivalents at end of year	1,445	1,704

Cash flows during the year were primarily affected by movements in working capital, due, among other things, to an increase in trade receivables, which include amounts due as Universal Service compensation, and tax assets deriving from the prepayment by Poste Vita SpA of withholding and substitute tax on capital gains on life insurance policies.

Cash generated was also used to finance capital expenditure and investment in financial assets, totalling €347 million.

Cash flow from financing activities, on the other hand, primarily reflects the issue of subordinated bonds by the subsidiary, Poste Vita, totalling €750 million. The bonds were placed in their entirety with institutional investors. A further amount relates to a net increase in funding raised by the Parent Company, after repayments of repurchase agreements.

Cash and cash equivalents, after the distribution of €500 million in dividends to the shareholder, amounts to €747 million (€530 million at the end of 2013).

Net funds at 31 December 2014 amount to €4,741 million (net funds of €3,257 million at the end of 2013), reflecting: the results of the fair value measurement of investments in available-for-sale financial assets (approximately €2,650 million); cash subject to restrictions, as shown in the following table, as attributable to technical provisions for the insurance business or subject to investment restrictions (BancoPosta RFC); net financial assets held by Poste Vita and Banca del Mezzogiorno-MedioCredito Centrale, which are subject to supervisory capital requirements (approximately €1,900 million).

at 31 December (€m)	Note (*)	2013	2014
Financial liabilities	[B8]	51,770	55,358
Technical provisions for insurance business	[B5]	68,005	87,219
Financial assets	[A5]	(118,467)	(142,687)
Technical provisions for claims attributable to reinsurers	[A8]	(40)	(54)
Net financial liabilities/(assets)		**1,268**	**(164)**
Cash and deposits attributable to BancoPosta	[A9]	(3,080)	(2,873)
Cash and cash equivalents	[A10]	(1,445)	(1,704)
of which:			
- Adjusted cash and cash equivalents		*(559)*	*(778)*
- Cash subject to investment restrictions		*(262)*	*(511)*
- Cash attributable to technical provisions for insurance business		*(624)*	*(415)*
Net debt/(funds)		**(3,257)**	**(4,741)**

(*) Notes to the consolidated financial statements.

FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SpA

Poste Italiane SpA's net invested capital amounts to €4,613 million (€4,500 million at 31 December 2013), 100% financed by equity.

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Non-current assets		4,676	4,643	(33)
Working capital		2,048	2,926	878
Provisions for risks and charges	[B4]	(1,089)	(1,247)	(158)
Employee termination benefits and pension plans	[B5]	(1,302)	(1,434)	(132)
Deferred tax assets/(liabilities)	[C10]	167	(275)	(442)
Net invested capital		**4,500**	**4,613**	**113**

(*) Notes to the financial statements.

In addition to movements in non-current assets and working capital, the increase in net invested capital at 31 December 2014 reflects:

- a reduction of €442 million in the net balance of *deferred tax assets/(liabilities)*, primarily due to the increase in the fair value reserve for BancoPosta's investments in securities, which generated an increase in deferred tax liabilities;
- an increase of €158 million in *provisions for risks and charges*, primarily due to the effect of the expected liabilities for restructuring costs.

Non-current assets break down as follows at 31 December 2013 and 31 December 2014:

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Property, plant and equipment	[A1]	2,367	2,171	(196)
Investment property	[A2]	69	67	(2)
Intangible assets	[A3]	428	375	(53)
Investments	[A4]	1,812	2,030	218
Non-current assets		**4,676**	**4,643**	**(33)**

(*) Notes to the financial statements.

Compared with the end of 2013, non-current assets are down €32,5 million, as a result of reductions of €608.0 million and additions totalling €575.5 million.

Reductions regard depreciation, amortisation and impairments, totalling €578.6 million, of which €371.3 million regards *property, plant and equipment*, €202.8 million *intangible assets* and €4.5 million depreciation and impairments of *investment property*, after reversals of impairments. Further reductions in non-current assets regard:

- impairments of €25.1 million, reflecting the write-off of the value of Poste Italiane's investments in Mistral Air Srl and PosteShop SpA (€19.9 million and €4.9 million, respectively) based on the results of the impairment tests conducted and available projections; a further impairment of €0.3 million regards the investment in Poste Holding Participações do Brasil Ltda, following the decision to place the company in liquidation;
- retirements and sales of €4.3 million, including €2.1 million regarding *property, plant and equipment*, €1.4 million *intangible assets*, €0.6 million *investment property* and €0.2 million *non-current assets held for sale*.

Additions regard:

- capital expenditure of €332.2 million, of which, as described in the section "Capital expenditure and financial investments", 58% relates to investment in ICT (Information & Communication Technology), 32% to the modernisation and renovation of buildings and 10% to postal logistics. In more detail, additions during the year primarily regard: €180.6 million invested in *property, plant and equipment*, relating to the purchase of new hardware for the technological upgrade and restyling of post offices, in addition to non-routine maintenance of properties owned by the Company; €151.6 million invested in *intangible assets*, reflecting the purchase of new software licences and the development of software for network platforms;
- acquisitions of investments, totalling €242.8 million, which breaks down as follows: €232 million relating to the subscription for new shares issued by Banca del Mezzogiorno-MedioCredito Centrale SpA; €9.9 million in capital injections for Mistral Air Srl to cover losses incurred to 30 June 2014 and establish an extraordinary reserve; €0.8 million relating to the subscription for the new shares issued by Poste Holding Participações do Brasil Ltda; €70 thousand regarding the subscription for shares representing 58.12% of the consortium fund of Consorzio PosteMotori ScpA; and €2 thousand regarding the acquisition of 20% of Italia Camp Srl.
- purchases of *investment property*, totalling €0.5 million.

Working capital of breaks down as follows at 31 December 2014 and 31 December 2013:

at 31 December (€m)	Note (*)	2013	2014	Increase/ (decrease)
Trade receivables and other current receivables and assets	[A7] [A8]	4,213	4,902	689
Trade payables and other current liabilities	[B8] [B9]	(2,945)	(2,656)	289
Current tax assets and liabilities	[C10]	616	604	(12)
Trade receivables and other non-current assets and liabilities	[A7] [A8] [B9]	164	76	(88)
Working capital		**2,048**	**2,926**	**878**

(*) Notes to the financial statements.

Working capital at 31 December 2014 amounts to €2,926 million, up €878 million compared with the end of 2013. The increase is essentially due to the following:

- an increase of €689 million in *trade receivables and other current receivables and assets*. As previously noted in the section on the Group's financial position, the main components of this balance essentially include receivables due from the State;
- a reduction of €289 million in *trade payables and other current liabilities*, reflecting normal trends in the payment of suppliers, and a reduction in the amount payable by the Parent Company to its subsidiaries after offsetting, in its role as consolidating entity for the tax consolidation arrangement[23], payments on account made by the subsidiaries, withholdings paid and taxes paid overseas.

[23] Poste Italiane SpA has adopted a tax consolidation arrangement, which it has elected to apply in accordance with the related law together with the subsidiaries, Poste Vita SpA, SDA Express Courier SpA and Mistral Air Srl. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax paid or payments on account.

At 31 December 2014, equity amounts to €6,504.9 million and breaks down as follows:

- Share capital €1,306.1 million
- Reserves €2,933.9 million
- Retained earnings €2,264.9 million.

Compared with 31 December 2013, equity has increased by €1,074.7 million due to the following changes:

Additions:

- a €1,065.8 million increase in fair value reserves net of tax, as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC;
- movements in the cash flow hedge reserves, amounting to €66.2 million, net of tax;
- profit for the year of €56.9 million;
- €535 million taken to retained earnings, as previously noted in the section on the Group's financial position, as a result of recognition of the amount due from the shareholder, the MEF, as provided for in art.1, paragraph 281 of the 2015 Stability Law. Retained earnings also include taxation of €25.2 million on the interest component of the amount due from the shareholder.

Reductions:

- €500 million regarding the Parent Company's payment of dividends to the shareholder;
- €123.9 million resulting from the recognition in equity of net after-tax actuarial gains and losses on employee termination benefits.

LIQUIDITY

for the year ended 31 December (€m)	**2013**	**2014**
Cash and cash equivalents at beginning of year	**192**	**234**
Cash flow from/(for) operating activities	982	(12)
- cash flow generated by operating activities before movements in working capital	644	718
- movement in working capital	671	(252)
- financial assets and liabilities attributable to BancoPosta	(333)	(478)
of which BancoPosta deposits not yet invested in financial assets	*912*	*(334)*
Cash flow from/(for) investing activities	(1,265)	(441)
Cash flow from/(for) financing activities	575	1,017
Cash flow from/(for) shareholder transactions	(250)	(500)
Adjusted movement in cash	**42**	**64**
Adjusted cash and cash equivalents at end of year [1]	**234**	**298**
Amounts that cannot be drawn on due to court rulings	(14)	(11)
Unrestricted net cash and cash equivalents at end of year	**220**	**287**

[1] Cash and cash equivalents does not include the restricted component of cash deposited in the buffer account held at the MEF (€354 million at 31 December 2013 and €688 million at 31 December 2014).

Reconciliation with statement of cash flows in financial statements		
Adjusted cash and cash equivalents	234	298
Cash subject to investment restrictions	354	688
Net cash and cash equivalents at end of year	588	986

As noted previously with regard to the Group, cash flows during the year were primarily affected by significant movements in working capital, due to an increase in trade receivables, which, among other things, include amounts due as Universal Service compensation.

Cash generated was also used to finance capital expenditure of €332 million, to provide fresh capital to fund the business development plans of the subsidiary, Banca del Mezzogiorno-MedioCredito Centrale SpA, totalling €232 million, and to subscribe Contingent Convertible Notes, totalling €75 million, issued by Midco SpA, which holds 51% of Alitalia SAI. Financing activities also include amounts deposited by subsidiaries in intercompany current accounts.

Cash and cash equivalents, after the distribution of €500 million in dividends to the shareholder, amounts to €287 million (€220 million at the end of 2013).

Net funds at 31 December 2014 amount to €1,892 million (net funds of €930 million at the end of 2013), reflecting the results of measurement on the fair value reserve for investments in available-for-sale financial assets held by BancoPosta RFC (approximately €2,307 million).

at 31 December (€m)	Note [*]	2013	2014
Financial liabilities attributable to BancoPosta	[B6]	**48,702**	**50,499**
Financial liabilities	[B7]	**2,548**	**3,506**
Financial assets attributable to BancoPosta	[A5]	**(46,502)**	**(50,287)**
Financial assets	[A6]	**(2,010)**	**(1,751)**
Net financial liabilities/(assets)		**2,738**	**1,967**
Cash and deposits attributable to BancoPosta	[A9]	**(3,080)**	**(2,873)**
Cash and cash equivalents	[A10]	**(588)**	**(986)**
of which:			
- Adjusted cash and cash equivalents		*(234)*	*(298)*
- Cash subject to investment restrictions		*(354)*	*(688)*
Net debt/(funds)		**(930)**	**(1,892)**

[*] Notes to the financial statements.

4. AREAS OF BUSINESS

The Group's commercial offering covers a vast range of services, including postal and business services (mail, express delivery, logistics, parcels and philately), as well as financial, insurance and mobile telecommunications services. In addition to these activities which, as previously described in section 2.2 "Group companies and operating segments", are classified within four operating segments, Poste Italiane, thanks to its nationwide presence, has been continuously engaged in developing a range of services for Public Sector entities, with a view to offering citizens various services through a series of channels. The Business Plan also confirms the Group's intention to include all citizens in the digital transformation process.

Public services

The range of public services regards all areas of business in which the Group operates, including initiatives relating to payment innovation and traceability, multi-channel communication to the general public and companies, certification and document management, and local taxation.

In 2014, provision of local tax collection services continued via *Sportello Amico* counters, as did trials of a medical test result collection service at the Florence 1 and Florence 2 Branch Offices. The service that allows patients to pay health service charges was extended to post offices that do not belong to the *Sportello Amico* network (Florence 1, Florence 2, Siena, Caserta, Salerno, the Sardinia Region, Pistoia and the Umbria Region) and agreements were entered into with numerous healthcare providers.

Access to the *Carta Acquisti* or Social Card was extended, at participating post offices, to the EU citizens and overseas citizens provided for in Law 147 of 27 December 2013 (the so-called *Legge di Stabilità 2014*, or "2014 Stability Law") and, following the issue of the Ministry of Labour and Welfare Decree of 10 January 2013 "Implementation of trials of the new *Carta Acquisti*", the experimental cards were delivered to 12 sample municipalities to be handed out to qualifying households.

In addition, with regard to the printing and delivery of driving licences by the consortium, PatentiViaPoste ScpA, a new website, www.patentiviaposte.it, has been developed to enable the public to find out how the new services work and how to use them. The site recorded over 19,000 page views between February and December 2014.

Moreover, based on a new agreement with the Ministry of the Interior, a service was launched in October 2014 that enables delivery of passports to people's homes, an option that may be requested on submission of a passport issue or renewal application to police headquarters.

Finally, trials of mono- and/or multi-ethnic post offices continued. This service model facilitates access and understanding of information and Group services for customers from non-EU communities, who are mainly resident in certain cities and neighbourhoods. In these post offices the counter staff and consultants (retail and business) speak the languages of the various ethnic groups present. At 31 December 2014, this service model is operating in three post offices: Prato 4 (mono-ethnic version), Rome 158 - Termini Station and Florence 39 (multi-ethnic version).

4.1 POSTAL AND BUSINESS SERVICES

The *Contratto di Programma* (Planning Agreement) regulates relations between the Ministry for Economic Development and Poste Italiane SpA in connection with the universal postal service.

Pursuant to the extension referred to in article 16, paragraph 3 of the Planning Agreement for 2009-2011, and as confirmed by Law 190 of 23 December 2014 – *Provisions concerning development of the Annual and Multi-year Budget (the 2015 Stability Law)*, article 1, paragraph, 274, letter a), the Planning Agreement for 2009-2011 will remain in force until completion of the approval procedure regarding the new Planning Agreement for the five-year period 2015-2019.

The 2015 Stability Law, which came into effect from 1 January 2015, includes a series of provisions of significance to the Company, some of which have amended Legislative Decree 261/99.

Specifically, the Law:

- has reintroduced ordinary mail as a basic non-bulk mail service and defined priority mail as a non-bulk express mail service;
- has reset universal service delivery targets to within four working days of posting, except for priority mail, where the requirement continues to be delivery within one working day;
- has established that the revision of quality targets and universal service tariffs by the regulator (AGCom - the Italian Communications Authority) must take place within 60 days of submission of the Company's proposal;
- has granted the option of delivering mail on alternate days, in the event of particular infrastructural or geographical situations in areas with a population density of less than 200 inhabitants per km, and, in any case, up to a maximum of one quarter of the population (instead of one eighth);
- has introduced the possibility that the Planning Agreement may provide for the introduction of additional measures regarding the form and frequency of nationwide service provision, in order to bring the service into line with users' actual requirements and to guarantee the sustainability of the Universal Service;
- has established that Planning Agreements for periods after the 2012-2014 regulatory period shall have a duration of five years, sanctioning signature of the Planning Agreement for the period 2015-2019, to be accompanied by notification of the European Commission to enable the relevant state aid assessment to take place;
- has set government compensation for the Universal Service obligation at a maximum of €262.4 million per annum with effect from 2015, without prejudice to the results of AGCom's assessment of the net cost of the Universal Service.

The draft of the Planning Agreement for 2015-2019, which incorporates the above provisions contained in the 2015 Stability Law, was sent to the Ministry for Economic Development (MISE) in January 2015. Subsequently, the MISE will send the draft to the Ministry of the Economy and Finance and AGCom, and then to the parliamentary committees to obtain their opinions. Pursuant to the 2015 Stability Law, the Planning Agreement for 2015-2019 should be signed by 31 March 2015.

The Planning Agreement also normally regulates the activities of the philately business regarding the issue of postage stamps. In particular, under the current Planning Agreement, the Ministry for Economic Development (MISE) has the exclusive right to plan the issue of stamps, with responsibility for distribution and marketing assigned to Poste Italiane SpA. The Ministry for Economic Development appoints the Philately Advisory Committee and the Philately Commission: the first, chaired by the Minister concerned, advises on guidelines for Italy's philatelic policies and the annual programme of issues, the second examines and selects images and designs for stamps.

Postal sector regulation and supervision to be carried out by AGCom regards, among other things, regulation of postal markets; adoption of regulatory measures regarding the quality and characteristics of the universal postal service; adoption of regulatory measures regarding access to the postal network and related services; the determination of tariffs for regulated sectors; monitoring, control and verification of Universal Postal Service quality

standards; and supervision of fulfilment of the universal service provider's obligations and those deriving from licences and authorisations.
The main resolutions adopted by AGCom, as regulator of the postal sector, are discussed below.
On 20 June 2013 the General Terms and Conditions for providing the universal postal service (AGCom Resolution 385/13/CONS) were approved. These, among other things, have introduced the obligation for the Company to make the various forms relating to universal products available on line. The Company has undertaken to meet this obligation during the first half of 2016.

On 28 November 2013, AGCom issued Resolution 667/13/CONS, marking the start of a process designed to lead to the adoption of licensing procedures for the postal services market (individual licences and general authorisations). At the same time, the regulator published a questionnaire to sound out the views of the postal operators involved. Subsequently, in Resolution 485/14/CONS of 23 September 2014, AGCom submitted the "Draft measure - Regulations regarding licence obligations relating to the provision of postal services to the public" (Annex A) for public consultation and extended the procedure by 60 days. On 10 November 2014, Poste Italiane SpA submitted its contribution to the public consultation. Subsequently, AGCom Resolution 62/15/CONS extended the period for completion of the procedure by another 30 days.

On 12 December 2013, AGCom issued Resolution 711/13/CONS, marking the start of a process that will lead to authorisation of alternate-day deliveries on a trial basis, as proposed by Poste Italiane. During the preliminary investigation, the regulator has asked the Company to provide details of the trials of the new form of delivery. AGCom Resolution 148/14/CONS of 9 April 2014 has extended the deadline for conclusion of the process by 150 days, subject to conclusion of the process of assessing the net cost of the Universal Service. On 15 September 2014, AGCom asked Poste Italiane SpA to make some changes and additions to the proposed model; this new explanatory document was sent to the Authority on 26 November 2014. Subsequently, following the entry into force of the 2015 Stability Law, which as mentioned above provides for the possibility of alternate-day delivery for one quarter, rather than one eighth, of the population, on 9 January 2015 Poste Italiane sent AGCom a new proposed model, in line with the new legislation.
The procedure is currently in progress, awaiting the launch of a public consultation by AGCom on the new delivery model.

On 29 July 2014, AGCom issued Resolution 413/14/CONS, introducing the general Directive governing the adoption of service charters. The Resolution defines the content of the service charters that all postal operators have an obligation to adopt and a series of requirements regarding information to be given to customers, the offering and quality of services, complaints, refunds and warranties. The Directive also requires the publication of quality of service reports for universal and non-universal services and their submission to AGCom, at the same time as publication of the annual financial statements and, in any event, by 30 June of the year following the annual reporting period.

On 31 October 2014, AGCom issued Resolution 564/14/CONS, launching a procedure designed to define the legal and financial terms and conditions relating to the return of mail items entrusted by senders to operators other than Poste Italiane, and returned via the latter's network[24]. The launch of the investigation is justified by the large number of such items, and certain difficulties involved in negotiating the related agreements for their return. The period set for

[24] Article 18 of the General Terms and Conditions of Service (Resolution 385/13/CONS) only regulates the return of such items, referring the definition of the terms and conditions for the return of such items to an agreement between operators, and only provides for the regulator's intervention in the event of the failure of these negotiations.

the procedure is 120 days from the date of publication of the Resolution, unless any justified extensions are subsequently granted following requests for information.

Regarding the regulation of Universal Service tariffs, as mentioned above, the 2015 Stability Law, as well as reintroducing a universal ordinary mail service, sets out the principles aimed at ensuring an improved balance between universal service prices and the related costs, partly in anticipation of a future decline in volumes. In the light of this new legislation, Poste Italiane has sent AGCom a proposal regarding a new Universal Service model (regarding both prices and levels of service), on which the regulator is expected to rule within 60 days. In the document, Poste Italiane proposes new prices for priority and ordinary mail services (including the ordinary mail acknowledgement of receipt service) and new quality targets connected with the new overall quality targets, set by law at within 4 days of posting (J+4) for all universal products, with the exception of priority mail for which the overall target is set at within 1 day of posting (J+1).

Regulation of the postal and business services segment was affected by a number of regulatory initiatives during the first half. These include changes to the rules governing the subsidised tariffs available to political parties, introduced by the following legislation:

- Law Decree 149 of 28 December 2013 ("*abolition of direct public funding, measures to promote transparency and democracy within parties and rules governing voluntary and indirect contributions to them*"), converted into Law 13 of 21 February 2014;
- Law Decree 66 of 24 April 2014, containing, among other things, "*urgent measures to promote competitiveness and social justice*", converted into Law 89 of 23 June 2014.

In particular, art 12 of Law Decree 149/2014 establishes that, with regard to the voluntary contribution of 0.2% of personal income tax payable (paragraph 6 *bis*), political parties may, in April of each year, take advantage of the subsidised tariffs for electoral publicity[25], and that the increase in costs, as defined by paragraph 6-*bis*, payable by the state as compensation to Poste Italiane, are to be "*determined within the limit of €9 million in 2014, €7.5 million in 2015 and €6 million in 2016*".

This, as expected, was followed by Law Decree 66/2014, art. 18 of which has, from 1 June 2014, abolished subsidised tariffs for both electoral publicity (art. 17 and art. 20 of Law 515 of 10 December 1993) and for the above publicity regarding the voluntary contribution of 0.2% of personal income tax.

Law Decree 66/2014 has also introduced measures regarding "*cuts in public spending*", which, whilst not relating specifically to the postal services sector, could have an impact on the Company's operations. In particular, art. 8 authorises Public Sector entities to *reduce the value of existing contracts, or of contracts recently awarded, for the purchase or supply of goods and services by 5% throughout the duration of the relevant contracts. The parties have the option of renegotiating the content of the contracts in view of the above reduction. This is without prejudice to the right of the provider of the goods or services to withdraw from the contract within 30 days of notification of the request for a reduction, without the payment of any withdrawal penalty to the Public Sector entity concerned.* In the event of withdrawal, the Public Sector entity may enter into new contracts by taking advantage of the framework agreements concluded by Consip SpA.

Art. 9 of Law Decree 66/2014 (Procurement of goods and services through buying groups and related prices) has completely modified paragraph 3-*bis* of art. 33 of Legislative Decree 163 of 6 April 2006 (the Public Procurement Code), establishing that municipalities that are not provincial capitals may only award contracts to contractors and the providers of goods and services through groups of municipalities, consortia, buying groups, provincial authorities or

[25] These regard postal tariffs introduced by art. 17 of Law 515 of 1993.

via forms of e-procurement managed by CONSIP or by another buying group. There are to be no exemptions, even for work carried out on a time and materials basis, as previously provided for.

As a result of Ministry of the Economy and Finance decree 55 of 3 April 2013, containing "*Regulations for the issue, transmission and receipt of electronic invoices to be applied by public sector entities pursuant to art.1, paragraphs 209 to 2013, of Law 244 of 24 December 2007*", from 6 June 2014 central government bodies may only take receipt of invoices in electronic format and in accordance with the procedures set out in the technical specifications contained in the Regulations. Under art. 25 of Law Decree 66 of 24 April 2014, the issue of electronic invoices to local government bodies will become obligatory from 31 March 2015.

the amendments to Legislative Decree 206 of 6 September 2005 (the Consumer Code) introduced by Legislative Decree 21 of 21 February 2014 came into effect from June 2014. In particular, a number of articles (from art. 45 to art. 67) in Part III "The Consumer Relationship" have been replaced, introducing, in the case of distance contracts and those negotiated off business premises, new and more stringent information and formal requirements. The new provisions, which came into force on 13 June 2014, are applicable to contracts concluded after that date.

On 26 January 2015 the MISE issued a Decree regarding *Calculation and procedures for the payment of contributions by postal operators to the Autorità per le Garanzie nelle Comunicazioni (AGCom) for the years 2012, 2013 and 2014* (published in Official Gazette no. 30 of 6 February 2015), regarding the contribution that all postal service operators are obliged to pay to AGCom to fund the regulator's activities, in accordance with the provisions of Legislative Decree 261/99, art. 2, paragraph 14, letter b).
The Decree established the following levels of contribution:

- for 2012, 0.055% of total revenue reported in the 2010 financial statements;
- for 2013, 0.056% of total revenue reported in the 2011 financial statements;
- for 2014, 0.068% of total revenue reported in the 2012 financial statements (art. 1, paragraphs 1-3);

and also specifies that, pursuant to art. 2, paragraph 14, letter b), of Legislative Decree 261/99, the amount of revenue for the Universal Service provider is determined net of the Universal Service cost and income from services assigned on an exclusive basis by art. 4 of the Decree.
In the case of a subsidiary or associate, being a managed and coordinated company, including through trading relations within the same group, each company is obliged to pay an independent contribution based on the revenues reported in its own financial statements (art. 1, paragraph 6).
On 27 February 2015, AGCom published instructions regarding contribution payment procedures on its website. The contributions for 2012 and 2013 must be paid by 30 March 2015, while the contribution for 2014 must be paid by 30 June 2015.

4.1.1 MAIL AND PHILATELY

The initiatives implemented in 2014 were aimed at strengthening customer relations and enhancing the business model, adding to logistics and technology platforms and introducing innovative solutions to better respond to market demand.
To this end, the *Infodelivery Light* internet service was launched in the recorded mail segment. Aimed at professionals and SMEs, this service enables reporting of delivery outcomes for Registered, *Raccomandata 1* and Insured products.
The *Posta Pick-up* offering was also revisited, with new solutions providing greater flexibility and customisation of the service (based on frequency, weight, day and time), a reduction in activation times and simplification of the related terms and conditions. The *Posteinteractive* offering was introduced. This advanced, integrated delivery service enables

the remote management of complex processes involved in the delivery, replacement and sale of goods and services and the related exchange of documents. The *Posta Easy* service and the Local Integrated Notification Service were also revisited.
The Direct Marketing segment was enhanced, with new added value services forming part of the *Linea Evolution* range, which will enable customers to electronically track the progress and delivery of business post and any undelivered items. The advanced *PostaZone Smart* and *PostaZone Premium* services were also launched, cutting delivery times and providing a wider, more accurate range of delivery options (for example, items will no longer be delivered to condominium mailboxes).
The new multi-channel offering, *Cross Media Solution*, which includes integrated physical and digital direct marketing solutions, also began on a trial basis. *Postatarget Creative Sviluppo Customer Base*, a promotion valid from June to December 2014, was launched for companies already using *Postatarget* that wish to expand their customer base, including provision of a delivery service combined with a list of prospective customers' addresses.
In December, the Direct Marketing segment also saw the introduction of *Postatarget Facile*, a new delivery procedure for all products in the *Postatarget* range, enabling customers to streamline the process of sending addressed advertising material by making it simpler and more immediate.
Finally, with regard to Data Services, the *PosteInfoPAL* services were launched on an experimental basis. Via a host of local data recording and processing services to support local authorities, this offering will enable optimisation of the processes involved in the management of public spaces and areas (updating of house numbering and place names), tax collection and the provision of public services.

Philately customers, consisting of stamp collectors and occasional customers, continue to express interest in the range of stamps and associated products on offer. In particular, in 2014, online sales of postage stamps to tobacconists registered around 35,000 orders (approximately 28,000 in 2013), partly due to activation of the *Francobollofacile* service, which enables postage stamp purchases via the www.poste.it website.
Spazio Filatelia outlets, which continue to be a reference point for collectors wishing to purchase philately products, are located in major Italian cities[26]. A total of 1,400 temporary outlets were also set up during the year at various local and national events.
The philately programme featured many issues celebrating, among others, the Ordinary Public Concistory for the creation of new cardinals, Galileo Galilei on the 450th anniversary of his birth, the 40th anniversary of the Piazza della Loggia bombing in Brescia and the canonisation of John XXIII and John Paul II. Italy's artistic and cultural heritage was marked by, among other things, stamps commemorating the 450th anniversary of the death of Michelangelo, and the fifth centenary of the death of Donato Bramante. For the thematic series, "Excellence in the productive and economic system", stamps were issued to mark 50 years since the its creation of Nutella and to celebrate sustainable development through the use of renewable energy.
During the year, in addition to the Philately and Schools project, involving pupils from elementary and middle schools, the Philately in Prisons project continued which, through the spread of stamp collecting in prisons, aims to help prisoners in the process of rehabilitation and reintegration within civil society.

[26] Rome, Milan, Venice, Naples, Trieste, Turin and Genoa.

Service quality

The table below shows the quality achieved compared with the targets set.

			For the year ended 31 December			
			2013		2014	
		Delivery within	Target	Actual	Target	Actual
Prioritary Mail [*]		1 day	89.0%	90.4%	89.0%	90.3%
International Mail [**]						
	inbound	3 days	85.0%	84.9%	85.0%	83.7%
	outbound	3 days	85.0%	82.5%	85.0%	84.1%
Registered Mail [***]		3 days	92.5%	93.7%	92.5%	94.3%
Insured Mail [***]		3 days	94.0%	98.8%	94.0%	98.5%

(*) The figure for 2014 is provisional. The final figure is being computed by IZI at the request of the regulator, AGCom.

(**) IPC - UNEX End-to-End Official Rule data.

(***) Monitored by the electronic tracking system.

		For the year ended 31 December			
		2013		2014	
	Delivery within	Target	Actual	Target	Actual
Standard Parcels	3 days	94%	93.8%	94%	94.0%
Postacelere Express Delivery	1 day	90%	83.1%	90%	84.2%
Paccocelere	3 days	98%	95.4%	98%	94.3%

All products are monitored with an electronic tracking system.

Quality targets

2013

In a Memorandum dated 22 December 2014, AGCom published quality assessment results for universal postal services in 2013. For the first time, the assessment included bulk mail results, which were recorded by Poste Italiane and sent to AGCom following specific requests. On completion of the assessment, all the results achieved, except for the one regarding ordinary parcels, were just under (approximately 0.2%) the regulatory target. Given the only slight divergence from the target, AGCom decided (Resolution 603/14/CONS of 28 November 2014) not to apply the penalty provided for by art. 5, paragraph 7 of the Planning Agreement currently in force.

2014

Regarding delivery quality results for the first half of 2014, the Company sent registered product and ordinary parcel results to AGCom on 29 September 2014, as required by the regulations. These results were in line with the regulatory targets. The Company will send the results for the second half of the year, including the overall figures for the full year, to AGCom by 31 March 2015.

In terms of priority mail, the Company is awaiting the quality report produced by the independent body, IZI, which will include consolidated data for 2014. AGCom will then check the results.

OPERATING RESULTS FOR MAIL AND PHILATELY

	Volumes ('000)			Revenue (€m)		
for the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**	**2013**	**2014**	**% inc./(dec.)**
Priority mail	870,543	702,358	(19.3)	718	611	(14.9)
Bulk mail	1,117,230	996,234	(10.8)	578	495	(14.4)
Additional services	3,959	4,970	25.5	3	3	n/s
Total unrecorded mail	**1,991,732**	**1,703,562**	**(14.5)**	**1,299**	**1,109**	**(14.6)**
Registered mail	196,511	182,313	(7.2)	759	690	(9.1)
Insured mail and legal process	31,861	30,833	(3.2)	233	222	(4.7)
Total recorded mail	**228,372**	**213,146**	**(6.7)**	**992**	**912**	**(8.1)**
Philatelic products and Other Basic services	**n/s**	**n/s**	**n/s**	**77**	**83**	**7.8**
Integrated services	**50,416**	**50,451**	**n/s**	**247**	**240**	**(2.8)**
Multi-channel services	**6,986**	**6,077**	**(13.0)**	**33**	**29**	**(12.1)**
Direct Marketing	**861,210**	**811,295**	**(5.8)**	**208**	**194**	**(6.7)**
Unaddressed Mail	**500,044**	**479,149**	**(4.2)**	**29**	**25**	**(13.8)**
Services for Publishers	**490,397**	**434,313**	**(11.4)**	**133**	**115**	**(13.5)**
Post Office box rental				**7**	**6**	**(14.3)**
Total market revenue				**3,025**	**2,713**	**(10.3)**
including Philately Products and Revenue Stamps				**124**	**116**	**(6.5)**
Electoral subsidies				**56**	**17**	**(69.6)**
Total Mail and Philately (*)	**4,129,157**	**3,697,993**	**(10.4)**	**3,081**	**2,730**	**(11.4)**
Postel Group - External revenue				**168**	**147**	**(12.5)**

To ensure the comparability of amounts for the two years, certain amounts for 2013 have been reclassified.
n/s: not significant

From 2009 notices of receipt for registered mail have been treated separately, with priority mail volumes (2013 and 2014) also including these items.

(*) Overall mail volumes, including items handled by Postel and relating to Promoposta (10.2 million items), amount to approximately 3,708.2 million items at 31 December 2014.

The market for traditional postal services continues to suffer the effects of a structural decline in volumes. Moreover, unlike other sectors, and also partly due to the dual effect of economic recession and the switch to web-based and digital forms of communication in general, the process of postal sector deregulation has not generated the expected effects in terms of attractiveness of the market, which instead of growing has gone into decline. This decline, which has affected all of Europe's postal operators, has been particularly significant in Italy, partly as a result of the worsening economic situation and the small size of the overall market compared with other industrialised countries.

Against this backdrop, the results for mail and philately services in 2014 reveal reductions in both volumes and revenue of 10.4% (431 million fewer items handled) and 11.4% (a decrease in revenue of €351 million), respectively, compared with 2013. This is primarily reflected in the poor performances registered by these segments: Unrecorded Mail (288 million fewer items handled and a decrease in revenue of €190 million compared with 2013), Recorded Mail (15 million fewer items handled and a decrease in revenue of €80 million compared with 2013), Services for Publishers (56 million fewer items handled and a decrease in revenue of €18 million compared with 2013) and Direct Marketing (50 million fewer items handled and a decrease in revenue of 14 million compared with 2013).

Market revenue of €2,713 million is down 10.3%, representing a reduction of €312 million compared with 2013.

In detail, the contraction in the Unrecorded Mail segment, which registered revenue of €1,109 million in 2014 (€1,299 million in 2013), affected volumes of both Priority Mail (168 million fewer items, down 19.3% on 2013) and Bulk Mail (121 million fewer items, down 10.8% on 2013). These result reflect lower demand for "traditional" forms of communication, above all due to large accounts (companies and Public Sector entities) who have continued to develop the digital channel as an alternative to the physical channel by increasingly using the various types of digital

communication, as well as the economic downturn, leading customers, above all large accounts, to look for cost savings.
Recorded Mail generated revenue of €912 million (€992 million in 2013), marking an 8.1% decrease (down €80 million compared with 2013), due to the negative performance of Registered Mail (14 million fewer items handled, corresponding to a fall in revenue of €69 million), which was affected by the growing volume of electronic communication used by companies and the Public Sector in their dealings with customers and/or the general public.
Integrated Services registered a 2.8% decrease in revenue (down €7 million compared with 2013), essentially due to a reduction in tax documents sent by customers, whilst the reduction in Multi-channel Service revenue (down €4 million on 2013, equivalent to 12.1%) is due to the steady ongoing decline in traditional telegram, certofax and teltex services.
Direct Marketing services registered a 5.8% reduction in volumes (50 million fewer items) and a 6.7% decrease in revenue (down €14 million) compared with 2013, primarily due to the contraction in the amount of advertising carried out by companies. These minor activities also influenced the Unaddressed Mail segment, which registered overall reductions in volumes and revenue of 4.2% (21 million items handled) and 13.8% (down €4 million), respectively, compared with 2013.
Services for Publishers registered an 11.4% reduction in volumes (56 million fewer items handled) and a 13.5% decrease in revenue (down €18 million) compared with 2013, due to an ongoing decline in publishing product subscribers and an increase in digital subscriptions.

Philately revenue included in postal services revenue, including revenue generated by the sale of stamps, amounts to approximately €116 million (€124 million in 2013), whilst the Philatelic Programme included 45 issues with 89 stamps and 1 postcard, with a total value of €67.70 (50 issues with 88 stamps and 4 postcards with a total value of €40.85 in 2013).

The Postel Group's external revenue is down 12.5% on the previous year, falling from €168 million in 2013 to €147 million in 2014. This reflects the downturns registered in the Electronic Document Management segment (€40.6 million in 2014, compared with €49.3 million in 2013) and the traditional businesses of Mass Printing (€70.2 million in 2014, €74.8 million in 2013) and Direct Marketing/Commercial Printing (€17.1 million in 2014, €21.3 million in 2013). Similarly to revenue, but also in part due to implementation of cost saving measures, operating costs incurred during the year register a decrease compared with the total figure for the previous year (€143 million in 2014, €157 million in 2013).
Overall, the Postel Group has contributed operating profit of €4 million (€11 million in 2013) and a loss for the year of €2 million (a profit of €6.7 million for 2013) to the Poste Italiane Group's consolidated results.

4.1.2 EXPRESS DELIVERY AND PARCELS

One of the segments the Company is focusing on is e-commerce, which is substantially influencing the Express Delivery and Parcels sector.
E-commerce penetration in Italy is one of the lowest in Europe, so it is reasonable to assume that in Italy too in the coming years this share is set to grow.
Therefore, in this area, Poste Italiane is keen to boost its operational and commercial logistics which, in addition to being one of the Group's traditional businesses, comprises a strategic asset for taking advantage of important opportunities in a fast growing sector.
In this regard, in 2014 the Group focused on activities aimed at further expanding the range of options on offer to customers, leveraging the widespread nature of the postal network so as to ensure that e-commerce products are

increasingly flexible and complete, and to strengthen the ancillary services of key importance to the principal operators in the sector.

After a trial phase completed in 2014, one the first actions to support this market was the marketing of *Promopacco*, a new product specifically aimed at large account business customers operating in e-commerce. In the collection, sorting and delivery phases, using an integrated SDA-Poste Italiane logistics system, it provides a nationwide 4- to 5-day delivery service for small items and goods weighing up to 3 kg. It has been well received by the market and in 2014 around 3.5 million deliveries were handled, including some of the sector's major operators among the product's customers and senders. Moreover, logistical integration enables delivery of *Promopacco* parcels either to an addressee's home or to one of the many post offices where the mailstop service is available nationwide.

The range of pre-franked and pre-paid products relating to *Gammafree* (which includes the *Postafree* and *Paccofree* services) was extended with the introduction of new formats ("Envelope", "Small" and "Medium") in addition to the existing ones ("Large" and "Extra large"); 12,000 post offices are able to handle these products (compared with 7,000 post offices in 2013).

Moreover, in November the first five APTs (Automated Parcel Terminals) were installed on a trial basis in Rome, Milan, Florence and Cantù, enabling customers to send or pick up their parcels 24 hours day, 7 days a week.

On the international front, with a view to offering solutions in line with e-commerce market requirements, a tracked service for unsigned inbound items of mail known as *Exprès* was rolled out. This forms part of the international PRIME[27] system and offers short delivery times (J+2/4 days, before customs clearance). Performance-related bonuses are to be paid to the most efficient partners based on the tracking messages sent overseas and the levels of service achieved.

With regard to the business segment, despite the ongoing economic crisis, the activities carried out by the subsidiary, SDA Express Courier SpA, registered a positive performance for shipments within Italy in the B2C and e-commerce market, whilst the performance of B2B shipments remained stable, reflecting the downturn in the economy. The international market also performed well, partly due to the partnerships with UPS (United Postal Service Inc) and Network Eurodis.

The year also benefitted from a reduction in industrial action, which affected the cooperatives responsible for sorting activities throughout 2013, also having major repercussions in terms of higher operating costs and lost revenue.

In this connection, the Company's commitment to optimising and upgrading its IT platform continued, with the aim of ensuring it is able to take advantage of new business opportunities. This included the development of software designed to boost integration in the mixed network used by Poste Italiane and SDA for the increasingly popular *Promopacco* service.

[27] PRIME is an initiative undertaken by a group of postal operators, in collaboration with the International Post Corporation, to develop value added services using the integrated CSS-Customer Service System.

OPERATING RESULTS FOR EXPRESS DELIVERY AND PARCELS

Poste Italiane SpA's Express Delivery	**Volumes ('000)**			**Revenue (€m)**		
for the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**	**2013**	**2014**	**% inc./(dec.)**
Domestic	5,854	9,093	55.3	54.5	62.9	15.4
International	1,728	1,992	15.3	33.3	38.2	14.7
Total	**7,582**	**11,085**	**46.2**	**87.8**	**101.1**	**15.1**

To ensure the comparability of amounts for the two years, certain amounts for 2013 have been reclassified.

Poste Italiane SpA's express delivery volumes were up 46.2% and revenue was up 15.1% on 2013 on the back of B2C and e-commerce expansion, bolstered by customers' growing interest in buying goods via online merchants. This positive performance is essentially due to the substantial growth of the Domestic Express Delivery segment, which registered volumes of 9.1 million and revenue of €62.9 million (volumes up 55.3% and revenue up 15.4%, compared with 2013).

SDA Express Courier SpA	**Volumes ('000)**			**Revenue (€m)**		
for the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**	**2013**	**2014**	**% inc./(dec.)**
Domestic Express Delivery	43,000	47,545	10.6	275.1	294.7	7.1
International Express Delivery	11,027	13,424	21.7	43.9	51.8	18.0
Espresso Internazionale Export	*203*	*218*	*7.4*	*8.1*	*8.9*	*9.9*
Espresso Internazionale Import	*10,824*	*13,206*	*22.0*	*35.8*	*42.9*	*19.8*
Tailor-made services	n/r	n/r	n/a	39.1	37.0	(5.4)
Other revenue	n/r	n/r	n/a	14.2	11.6	(18.3)
Total SDA Express Courier SpA - External revenue	**54,027**	**60,969**	**12.8**	**372.3**	**395.1**	**6.1**

n/r: not recordable as such data relates to tailor-made services supplied to banks and insurance companies that cannot be calculated in volume terms.
n/a: not applicable

The subsidiary, SDA Express Courier SpA, made a positive contribution to this segment's results, recording growth in volumes and revenues, 12.8% and 6.1%, respectively, compared with 2013 (deliveries up 6.9 million, and revenue up €22.8 million).

The positive performance reflects strong growth in the domestic market, where volumes amounted to 47.5 million (43 million in 2013) and revenue €294.7 million (€275.1 million in 2013). As mentioned above, this reflects the positive contributions of B2C and e-commerce.

The international Express Delivery segment also performed well (volumes up 2.4 million, and revenue up €7.9 million), benefitting from the partnership agreements with UPS and Network Eurodis.

In particular, the well-established partnership with UPS (United Postal Service Inc.) led to SDA carrying out around 12 million deliveries in 2014 (around 10 million shipments on behalf of UPS in 2013), generating revenue of around €38.2 million (€31.5 million in 2013). The partnership with Network Eurodis led to around 500,000 inbound and outbound shipments (300,000 in 2013), generating revenue of approximately €5.2 million (revenue of around €3.7 million in 2013). In contrast Dedicated Services, which are tailor-made, flat-rate services, registered a 5% decrease in revenue.

Although SDA Express Courier SpA reported an operating loss of €21.1 million in 2014, this marks an improvement on the operating loss of €27.3 million registered in 2013. This result was also affected by the €3.5 million impairment loss on the investment in Italia Logistica Srl and the recognition of future losses (€3.9 million) expected to arise following the transfer of the document management business unit from Italia Logistica Srl to Postel SpA.

The company reported an overall loss of €21.3 million in 2014 (after a €20.4 million loss in 2013), requiring the company to apply art. 2446 of the Italian Civil Code (a reduction in capital due to losses).

Parcels - Universal Service	**Volumes ('000)**			**Revenue (€m)**		
for the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**	**2013**	**2014**	**% inc./(dec.)**
Domestic Parcels	986	1,129	14.5	10.0	11.2	12.0
Parcels - international outbound	566	581	2.7	22.8	25.2	10.5
Parcels - international inbound	165	163	(1.2)	2.0	2.0	n/s
Total	**1,717**	**1,873**	**9.1**	**34.8**	**38.4**	**10.3**

n/s: not significant

Universal Parcels Service revenue of €38.4 million (€34.8 million in 2013) reflects the positive performances of Domestic Parcels (up 14.5% in volume terms and 12% in terms of revenue) and International Outbound Parcels (up 2.7% in volume terms and 10.5% in terms of revenue compared with 2013). This made up for the reduction recorded by International Inbound Parcels.

DIGITAL AND MULTI-CHANNEL SERVICES

With regard to the digital postal services that Poste Italiane supplies through Postecom SpA, the development and supply of the Hybrid Communication offering continued during 2014. This enable registered letters, telegrams, priority mail and e-commerce services to be provided online. In this regard, Poste Italiane's e-commerce offering was expanded during the year, with the supply of web marketing services for the online promotion of merchants.

PosteID, the system that uses a smartphone or tablet to "provide proof of digital identity" for online transactions on participating websites (without having to key in one's means of payment data), was developed further. Thanks to a secure process guaranteed by Poste Italiane, the user can associate their digital identity with their smartphone in three simple steps:

- going to a post office to register and certify their phone number, or directly on the website ww.poste.it using a PCR (Personal Card Reader) for BancoPosta online account holders;
- downloading the posteID app on to their mobile phone;
- making their mobile device secure by installing a certificate that associates their digital identity with their smartphone.

Moreover, PosteID functions were incorporated within the various Poste Italiane apps to authorise mobile transactions, also providing a means of authorisation to be used with PCR for online transactions.

SDA Express Courier also continued to offer interactive services through its www.sda.it website. Over 20.9 million visits were logged in 2014 (18 million logged in 2013), whilst around 82 million tracking requests were made (72 million in 2013) and around 2.4 million customers logged on to schedule pick-ups from their home or business address.

In addition to tracking and scheduling pick-ups, other integrated services available on the website include: clearance of shipments by the sender, via a system that automatically sends the stock list, together with codes the customer may use to clear shipments free of charge from the website; clearance of failed deliveries by the addressee; and search for delivery times to check active services and respective delivery times, based on the postcode and place of origin and the postcode and place of arrival.

A new web platform enables final customers, including retail customers, to manage their shipment on their own, printing the related forms, paying for the shipment and arranging pick-up from the sender's address. Furthermore, since 2012 the SDA Mobile application has been up and running, which enables direct monitoring and management of deliveries using a smartphone.

Work on upgrading the website continued in 2014 with a view to improving accessibility and user-friendliness. In this regard, Skype was added to the online help desk for international services, and the Search for Shipments function was upgraded to also offer the option of tracking the shipment using not only the waybill number, but also the advice of non-delivery.

4.2 FINANCIAL SERVICES

The Financial services segment includes current accounts, payment services, financial products (including postal savings products such as Savings Books and Interest-bearing Postal Certificates distributed on behalf of Cassa Depositi e Prestiti SpA) and third-party loan products in accordance with Presidential Decree 144 of 14 March 2001, as amended. These operations were transferred from Poste Italiane SpA to BancoPosta RFC on 2 May 2011. An operating review for BancoPosta RFC is provided in the section "BancoPosta RFC management review".

The activities of the Financial services segment include the management of public funds carried out by Banca del Mezzogiorno – MedioCredito Centrale SpA and the management of collective investment undertakings carried out by BancoPosta Fondi SpA SGR.

4.2.1 BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENTRALE SPA

During 2014 Banca del Mezzogiorno-MedioCredito Centrale (MCC) continued to provide support for creditworthy companies operating in southern Italy, through its lending activities and by promoting and facilitating access to government subsidies.

In February the bank raised fresh capital of €232 million in order to fund an expected increase in medium/long-term lending. In this respect, the bank set up various distribution channels to increase penetration of the various segments and markets. Alongside loan products, associated with collateral or personal guarantees, to support the investment needs of manufacturing companies operating in the eight regions that make up southern Italy, MCC also added a line of products to its offering for households (primarily mortgages and personal salary loans), enabling it, among other things, to diversify risk and reduce funding costs.

The bank's management of public funds and subsidies, and above all of the *Fondo di Garanzia per le PMI* (a guarantee fund for SMEs), continued to expand: applications, numbering over 89,900, are up 7.9% on 2013, with over 86,000 approved loans, totalling approximately €13 billion (up 19.7% compared with 2013).

Regarding the incentives for national research projects promoted by the Ministry for Economic Development (MISE), as head of temporary consortium of companies, the bank was awarded a contract to provide an assistance and support service for research, development and innovation project subsidies within the scope of the Sustainable Growth Fund. The Fund promotes various types of initiative, including those aimed at supporting technological research and development projects.

In 2014 the bank reported net income from banking activities of €100.6 million (€64.2 million in 2013) and net interest income of €43.7 million (€21.1 million in 2013). Total loans and advances amount to €1.3 billion at the end of 2014, compared with the €771 million registered at the end of 2013. Net fees are also up (€41.1 million in 2014, compared with the €35.4 million in the previous year), primarily generated by management of the *Fondo Centrale di Garanzia per le PMI* (central guarantee fund for SMEs).

Net profit for 2014 amounts to €37.6 million (€11.6 million in 2013).

4.2.2 BANCOPOSTA FONDI SPA SGR

BancoPosta Fondi SpA SGR continued to carry out activities regarding Collective Investment Undertakings – UCIs and the Individual Investment Portfolio service in 2014.

Total assets under management in relation to the company's lines of business (individual and collective investment services) amount to €62.2 billion at 31 December 2014 (up €16.3 billion or 36% on the end of 2013).

Regarding the investment portfolio management service provided to the Poste Vita Insurance Group, total assets under management at 31 December 2014 amount to €57.2 billion (€41.1 billion at 31 December 2013, up 39%).

Regarding collective investment services, total assets under management at 31 December 2014 amount to €5.0 billion (€4.8 billion at the end of 2013, up 6%). Figures regarding total assets at 31 December 2014 do not include third-party UCIs, which were settled during the year as they had reached maturity (approximately €0.2 billion). The gross inflow amounted to 1,704 million, compared with €2,148 million in the previous year. Redemptions amounted to €1,412 million, slightly above the €1,387 million registered in 2013.

Stripping out the above third-party UCIs, the performances of gross inflows and redemptions resulted in a net inflow of €292 million (€761 million at 31 December 2013).

The principal contribution to total gross inflows during 2014 was from bond funds (€521 million, accounting for 30.6% of total inflows), followed by buy-and-hold funds (€486 million, accounting for 28.5% of total inflows), balanced funds (€459 million, 26.9% of total inflows), equity funds (€146 million, 8.6% of total inflows) and the new closed-end balanced bond fund (€89 million, 5.2% of total inflows). Redemptions were concentrated in traditional bond funds (approximately 75% of the total).

The company reports a profit of €14 million for the year (€11 million in 2013).

4.3 INSURANCE SERVICES

4.3.1 POSTE VITA INSURANCE GROUP

In continuation of strategic objectives pursued in previous years, in 2014 the Poste Vita Insurance Group primarily focused its efforts on:

- consolidating and strengthening the Poste Vita Parent Company's position in the life insurance and pensions market, with a particular focus on the supplementary pension segment and new emerging needs (primarily welfare and longevity);
- growing the non-life insurance business, with a view to positioning the subsidiary, Poste Assicura, as a leading player in this market.

Thanks partly to a constant focus on products, stepping up support to the distribution network and growing customer loyalty, the company's efforts concentrated almost exclusively on the offer of Branch I investment and savings products (traditional separately managed accounts) with inflows of around €14.7 billion (€13 billion in 2013), while a marginal contribution was made by the sale of Branch III products (€17 million in 2014, compared with €79 million in 2013).
Total premium revenue amounts to €15.4 billion (€13.2 billion of insurance premiums in 2013).

Poste Vita has also consolidated its undisputed leadership in the pensions market, with the number of subscriptions to *Postaprevidenza Valore* exceeding 711,000.
Sales of pure risk policies (term life insurance) also performed well. These are sold in stand-alone versions (therefore, not bundled with investment products), with over 26,000 new policies sold during the year, whilst around 123,000 were new policies, again of a pure risk nature, were sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network.
With regard to treasury management, the company continued with its investment policy focused on keeping investment funds separate in order to match investments to insurance obligations and, at the same time, running a portfolio that can provide stable returns in line with the market. Investment policy was marked by the utmost prudence, with a portfolio primarily invested in Italian government securities and highly-rated corporate bonds. In the second half of 2014, the company also launched a process of diversifying its investments, whilst maintaining a moderate risk appetite, via investments in a multi-asset, harmonised open-ended fund of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. Returns on investment from separately managed accounts (4% for PostaValorePiù and 5% for PostaPrevidenza), as well as from the company's free capital, both registered good performances, partly due to realised gains of approximately €55 million.
As a result of the above-mentioned operating and financial performance, technical provisions for the direct Italian portfolio amount to €77.7 billion (€65.2 billion at the end of 2013), including approximately €68.4 billion in Branch I and V provisions (€55.5 billion in 2013). Provisions for products where the investment risk is borne by policyholders amount to €8.5 billion (€9.2 billion at 31 December 2013). Deferred Policyholder Liability (DPL) provisions rose from €2.7 billion at the beginning of the year to €9.4 billion at 31 December 2014, as a result of the increase in the fair value of the financial instruments covering the provisions, reflecting the good performance of financial markets. Therefore, at the level of the Poste Italiane Group's consolidated financial statements, provisions amount to €87.1 billion.
Regarding the organisational structure, the process of strengthening the quality and size of the company's workforce continued in 2014, given the constant growth in size and volumes. A number of activities designed to assist

development and ongoing functional and infrastructure improvement of the most important business support systems also continued.
In particular, the company launched all the functional activities required to comply with the Solvency regulations planned for 2016, including adaptation of its governance model and organisational and operating structure, with a view to strengthening decision-making processes and optimising risk management procedures, in order to increase and safeguard value creation. Moreover, given that May 2015 will see the start of the preliminary phase of the Solvency II Directive, during which insurance companies will be obliged to meet the initial requirements under the new regulations, the company also conducted significant planning, with organisational and IT implications, aimed at meeting the objectives set out in the regulations from the beginning of the preliminary phase. Finally, planning activities were launched at the end of 2014 aimed at creating and implementing a more up-to-date integrated administrative and accounting system. This will enable more efficient and automated management of data production processes and all the documentation connected with mandatory requirements, at the same guaranteeing the completeness, accuracy and quality of data.
Once again in 2014, administrative costs continued to be far lower than the market average (0.5% of earned premiums and 0.1% of provisions).

Gross profit for the year amounts to €568.5 million (€497.3 million in 2013). However, it should be pointed out that net profit, amounting to €350.2 million (€253.7 million in 2013), was also positively affected by the lower overall tax charge compared with the previous year, which was impacted by higher tax expense (IRES surtax) of approximately €49.3 million.
In terms of capital, it should be noted that, on 30 May 2014, the company completed the issue of subordinated bonds with a total nominal value of €750 million, placed in their entirety with institutional investors. The transaction forms part of an overall plan to strengthen the company's financial position, primarily in view of expected growth over the two-year period 2014-2015, and the aim of maintaining a solvency ratio of at least 120% until the entry into effect of the new capital requirements, contained in the Solvency II Directive, in 2016.

In September 2014, as part of the process of rationalising and optimising operations, designed to achieve synergies within the insurance group, the transfer for consideration of the non-life insurance portfolio to the subsidiary, Poste Assicura, was completed. The transfer regards non-life insurance products for the retail market, especially the *Postapersona Infortuni*, *Postapersona infortuni senior* and *Postapersona Salute* products. The total value of the portfolio was assessed as €292 thousand plus VAT.
During the year, the company continued to focus on the following priorities:

- exploiting new customer needs in the areas of welfare, healthcare, assistance and income security before and after retirement, developing a new insurance model that covers protection, savings, investment and pension needs at the same time;
- an upgrade of the offering, with a flexible approach to product and service management in terms of varying market conditions and customers' needs;
- optimisation of the network support model, including trials of new sales channels and commercial initiatives.

Premium revenue totalled €86.4 million (up 27% on 2013), with 347,000 new policies sold (323,000 policies sold in the previous year).
These factors, together with the positive performance of net financial income and cost efficiencies, enabled the company to report profit for the year of €7.3 million (€5.5 million in 2013).

4.4 OTHER SERVICES

4.4.1 POSTEMOBILE

In 2014 PosteMobile continued to focus its efforts on maintaining and strengthening its "value" proposition, developing initiatives designed to acquire higher value customers, thereby consolidating the quality of acquisitions and increasing the customer base. As a result, the number of lines reached 3.3 million at the end of December 2014 (2.8 million lines at the end of 2013).

A total of 523,000 lines were terminated during the year, down 22% on the 672,000 terminated in 2013.

Voice service minutes exceeded 4.6 billion (up 11% on the 4.1 billion registered in 2013).

The ARPU (Average Revenue Per Unit) for telephone, text and data services stands at €5.7 per customer, per month, down on the €7.0 per customer, per month in 2013. This primarily reflects changes to regulated charges, and the evolution of the traditional services mix in favour of value added services.

The company focused its efforts during the period on the innovation of its commercial offering, adding a number of new initiatives, and further developing the company's role in the mobile payment services market. In 2014, PosteMobile also switched to a Full Mobile Virtual Network Operator (Full MVNO) operating model, only relying on the traditional operator network to connect to the infrastructure, whilst managing the services it provides and issuing its own SIM cards. This development enables PosteMobile to have greater autonomy and more control of the quality of the services it provides to its customers.

In the consumer market, PosteMobile continued the gradual transformation of the customer base aimed at increasing the number of fixed price plans. This entailed continuing to focus on competitively priced fixed price plans, via a flexible, customisable offering that aims to meet all customer requirements: voice and text only for customers with simple needs and bundled data options for more sophisticated customers.

On the distinctive services front, the role of PosteMobile was further strengthened via dissemination of the PosteMobile app. This led to significant growth in the volume of transactions, which reached a total of 1.3 billion since the launch of the services, enabling the company to position itself as leader in the mobile technology payment services market. The value of financial transactions carried out by customers in 2014 amounts to €339 million (€290 million in 2013).

PosteMobile also strengthened its position in the areas of proximity services, launching the sale of the SuperSIM NFC, which enables the use of payment, transport and loyalty card proximity services, including:

- NFC contactless payments at retail outlets with NFC POS, simply by using a smartphone;
- NFC authentication of digital tickets via a partnership with the Milan and Turin municipal public transport companies;
- the digitisation of loyalty cards and luncheon vouchers to enable their use in retail outlets and participation in points collection and promotional campaigns.

As already mentioned in the section on "Distribution channels", the number of PosteMobile corners inside post offices has increased (319 corners in operation at the end of December 2014).

Growth of the customer base and a good performance by the flat-rate offering (thanks to gradual repositioning of the portfolio in this segment) mitigated the effects of the reduction in voice revenues which, in the first half of the year, were affected by the reduction in termination charges from July 2013 (bringing down the rate charged from 1.5 to 0.98 cents per minute). Therefore, revenues from sales and services, amounting to €321.5 million in 2014, marks a slight increase on the €321.1 million recorded in 2013.

Despite a reduction in the cost of goods and services, which amount to €233.9 million (€247.0 million in 2013), operating profit reflects higher depreciation and amortisation, primarily due to the Full MVNO platform (up €12.6 million in 2014), and provisions (up €3.5 million). As a result, operating profit is €13.7 million (€25.4 million in 2013).
The company reports a profit for the year of €7.8 million (€15.8 million for 2013).

With regard to the transaction entered into with the Brazilian postal operator, with the aim of launching a virtual mobile operator in Brazil, on 27 November 2014, Poste Italiane SpA's Board of Directors decided to put the two special purpose entities into liquidation: Poste Holding Participacoes Do Brasil Ltda (76% owned by Poste Italiane SpA and 24% by PosteMobile SpA) and Italo-Brasil Holding SA (wholly owned by Poste Holding Participacoes Do Brasil).

5. HUMAN RESOURCES

5.1 HEADCOUNT

The workforce employed by Poste Italiane Group and the Parent Company breaks down as follows:

Poste Italiane Group

	Number of employees (*)			
	Average for the year ended		At	
Permanent workforce	31 December 2013	31 December 2014	31 December 2013	31 December 2014
Executives	785	789	788	775
Middle managers	15,560	16,010	15,820	15,984
Operational staff	123,932	123,255	122,874	121,640
Back-office staff	3,324	2,167	2,744	1,641
Total workforce on permanent contracts	**143,601**	**142,221**	**142,226**	**140,040**
Traineeships	4	-	-	
Apprenticeships	40	45	42	44
TOTAL	**143,645**	**142,266**	**142,268**	**140,084**

	Average for the year ended	
Flexible workforce	31 December 2013	31 December 2014
Temporary contracts	182	198
Fixed-term contracts	1,604	2,171
TOTAL	**1,786**	**2,369**
TOTAL PERMANENT AND FLEXIBLE WORKFORCE	**145,431**	**144,635**

(*) Expressed in full-time equivalent terms.

Poste Italiane SpA

	Number of employees (*)			
	Average for the year ended		At	
Permanent workforce	31 December 2013	31 December 2014	31 December 2013	31 December 2014
Executives	595	597	596	587
Middle managers (A1)	6,068	6,422	6,325	6,399
Middle managers (A2)	8,102	8,151	8,091	8,130
Grades B, C and D	121,406	120,729	120,297	119,105
Grades E and F	3,262	2,101	2,674	1,576
TOTAL WORKFORCE ON PERMANENT CONTRACT	**139,433**	**138,000**	**137,983**	**135,797**
(**) including:				
- Seconded	8	8	8	4
- Suspended without pay	1,768	1,624	1,646	1,588
- Seconded to Group companies	13	19	12	24

	Average for the year ended	
Flexible workforce	31 December 2013	31 December 2014
Temporary contracts	38	32
Fixed-term contracts	1506	2028
TOTAL	**1,544**	**2,060**
TOTAL PERMANENT AND FLEXIBLE WORKFORCE	**140,977**	**140,060**

(*) Expressed in full-time equivalent terms.

5.2 TRAINING

A total of 1.1 million participations were recorded during the year, entailing provision of 442,000 person days of training, of which 296,000 in the classroom (67%) and 146,000 through e-learning (33%).

Training activities were primarily aimed at supporting business operations and ensuring compliance with regulatory obligations, primarily involving staff from the Private Customer, Business and Public Sector functions (around 345,000 person days of training in 2014), who are responsible for developing and managing frontline services for all customer segments.

CLASSROOM COURSES (person days)

	Year ended 31 December 2013				Year ended 31 December 2014			
	Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	**TOTAL**	Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	**TOTAL**
Post, Communications and Logistics	87,541	6,461	343	**94,345**	60,363	4,832	48	**65,243**
Bancoposta	898	1,027	130	**2,055**	628	504	17	**1,149**
Private Customer/Business and Public Sector	118,581	45,538	454	**164,573**	174,471	47,143	855	**222,469**
Corporate	3,548	5,176	559	**9,283**	2,973	3,957	214	**7,144**
Total	210,568	58,202	1,486	**270,256**	238,435	56,436	1,134	**296,005**

E-LEARNING COURSES (hours)

	Year ended 31 December 2013				Year ended 31 December 2014			
	Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	**TOTAL**	Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	**TOTAL**
Post, Communications and Logistics	50,842	3,958	62	**54,862**	151,281	4,783	25	**156,089**
Bancoposta	3,868	1,688	98	**5,654**	2,868	342	12	**3,222**
Private Customer/Business and Public Sector	454,985	86,125	342	**541,452**	720,086	162,307	275	**882,668**
Corporate	10,086	9,312	440	**19,838**	6,855	4,402	124	**11,381**
Total	519,781	101,083	942	**621,806**	881,090	171,834	436	**1,053,360**
Total person days	*72,192*	*14,039*	*131*	***86,362***	*122,374*	*23,866*	*61*	***146,300***

Special attention was paid to training regarding safety in the workplace, involving around 125,000 participations (62% relating to classroom initiatives and 38% via e-learning).

In detail, regarding the various functions, the Post, Communications and Logistics function benefitted from 294 courses, involving a total of around 111,000 participations (of which 55,000 were for training regarding safety in the workplace). Other initiatives related to Equitalia Quality Plan activities, aimed at guaranteeing compliance with the deadlines and correct completion of Equitalia documents, involving more than 6,600 staff including instructors, postmen and women, staff involved in processing and team managers. Also regarding quality issues, the biennial customer satisfaction process and the monitoring of indicators was completed (220 participations in 2014). Airport security courses relating to compliance with the provisions of ENAC (Civil Aviation Authority) regulations regarding the regulated agents who are authorised to check mail at airports also continued, involving around 870 staff.

At Bancoposta, 142 training courses involved a total of 2,322 participations and 1,000 members of staff. In addition to training on safety in the workplace (around 1,200 participations), initiatives regarded regulatory matters (money laundering prevention, Fatca – Foreign Account Tax Compliance Act, Emir – European Market Infrastructure Regulation, SEPA, privacy and prudential supervisions) and new marketing techniques based on the use of social media.

Initiatives were developed for the Private Customer function, aimed at improving the effectiveness and regulatory compliance of sales efforts, with courses on selling techniques differentiated in terms of professional profile and on correct behaviour towards customers (MIFID, money laundering prevention, transparency, etc.). Special attention was paid to complaint management, via an e-learning course aimed at more than 67,000 staff. Participations in training courses on safety at the workplace amounted to 64,000. The biennial course on how to conduct commercial and motivational meetings for the sales force (more than 700 participations) was completed and, finally, a course was held for Contact Centre tutors, aimed at developing their ability to support and guide operators in handling phone calls effectively.

Three courses were provided to support the insurance business (around 50,000 participations), aimed at understanding the market scenarios that have arisen following changes in the welfare system, new forms of consumption and the transformation of households' insurance needs. Other initiatives regarded product features and the current regulatory framework. A total of 171,000 certificates were issued for IVASS professional refresher courses.

Training courses were provided for the Business and Public Sector function, aimed at developing methods and techniques for proposing integrated and customised solutions to customers, and courses were also given on key account and commercial partnership management (more than 153 participations).

At Corporate level, a course was launched for staff operating in the Corporate Quality function, aimed at fostering a culture based around quality management as a means to establishing a competitive advantage, with an in-depth focus on customer retention and customer satisfaction mechanisms and tools.

In addition to training on safety in the workplace, cross-functional initiatives included an online course on IT security for more than 7,800 staff and training on IT management systems and Microsoft systems for the purpose of issuing the related certifications (around 500 staff involved), as well as courses regarding project management (171 participations) and the language training plan (around 500 participation including e-learning and classroom courses).

As part of the long-term Training for Trainers plan, 10 different courses were provided with a total of 1,050 participations.

Training regarding social issues saw continuation of the "employment for the disabled" programme, relating to the development of behavioural skills and techniques for deaf members of staff.

Managerial development and training

Managerial development and training activities continued, with provision of training plans already launched in 2013.

In addition to the refresher programme on strategic issues, involving around 40 staff, a course was held on strategic problem solving and effective communication aimed at 20 staff who work directly with the Head of the Private Customer function. With regard to local middle management staff from the Private Customer function, around 350 staff took courses on managerial and professional skills development.

In the Post, Communications and Logistics function, 90 supervisors of Secondary Distribution Centres received training on leadership and communication matters. The entire Business and Public Sector function was involved in a business coaching project (around 550 people) including classroom activities, team coaching and individual coaching sessions.

In this respect, specific training courses were provided to Poste Italiane's internal coaching team (31 coaches across all corporate functions) for the purpose of establishing guidelines for in-company coaching.

A cross-functional programme entitled "Active change trilogy" was implemented, involving 520 middle managers, focusing on organisational aspects.

Finally, around 30 mini master's programmes were run to strengthen the managerial skills of newly recruited staff, focusing on organisational aspects.

Corporate training for newly recruited graduates involved around 190 participants in a course focusing on the organisational context and in-depth study of the main operating functions, values, integration, self-sufficiency and communication skills.

Intercompany training, ranging from regulatory refresher courses across the various functions to specialist finance-related issues, involved around 170 participations.

Finally, language training resumed, involving a total of 33 staff in 60-hour English courses and intensive 14-hour courses.

Funding

As part of the activities of the *Ente Bilaterale per la Formazione e Riqualificazione del Personale* (the Bilateral Agency for Staff Training and Retraining), efforts continued to recover costs relating to training activities for non-managerial staff from the Fondimpresa inter-professional fund. Specifically, 181 training plans with a value of approximately €7.6 million were accounted for. In 2014 actions continued to recover the costs of managerial staff training from the Fondirigenti inter-professional fund, with 9 training plans with a value of approximately €0.4 million accounted for.

5.3 HUMAN RESOURCES MANAGEMENT

Recruitment and selection activities primarily regarded commercial staff, and IT systems and insurance sector skills. In particular, in the last few months of the year, new graduates were sought to strengthen specialist roles in post offices.
With a view to achieving constant improvement, the recruitment and selection process for delivery and sorting staff on fixed-term contracts was reviewed.
As in previous years, internal recruitment activities, aimed at developing graduates in service, continued.
The annual appraisal of the performances of white-collar staff, middle managers and senior managers took place, with completion of the feedback phase in March. Approximately 90,000 appraisals were carried out (3,000 more than in 2013) by almost 9,000 appraisers (700 more than in 2013).
In terms of incentive policies, the 2014 Management by Objectives plan and the commercial operations incentive schemes were finalised, and the respective bonuses paid for the relevant period.
In December, payments linked to the results of the performance appraisal were also made to white-collar staff, middle managers and senior managers.

5.4 INDUSTRIAL RELATIONS

Industrial relations at Poste Italiane during 2014 primarily entailed negotiations with labour unions on the following matters:

Delivery agents

A meeting was held on 15 January 2014 to assess the extent of implementation of the agreement of 10 December 2013[28]. After the meeting, at which the Company provided details of the applications received, 106 staff were recruited on fixed-term contracts. Later, on 15 October 2014, two statements of agreement were signed with all the unions. In the first, the Company undertook, subject to operational requirements, to offer a further fixed-term contract of up to 6 months to staff who had signed up to the previous agreements. The second statement again provided for the employment, on fixed-term contracts, of up to 290 delivery agency staff who are unemployed or are the beneficiaries of income support as a result of the total or partial insourcing of Poste Italiane's delivery activities. These staff will be employed in delivery operations in the Piedmont and Lombardy regions from February 2015.

Paid leave for union duties

On 5 February 2014 a statement of agreement on paid leave for union duties was signed, which continues the process of resolving this matter begun in 2013. The agreement, which further simplifies the relevant regulatory framework, will be in force for a period of three years (2014-2016).

Reorganisation of Postal services

On 14 February 2014 the Company and the unions signed an agreement regarding the monitoring of the reorganisation of Postal services covered by the agreement of 28 February 2013. The agreement, which enabled reconciliation of the positions of all the labour unions on key elements of the reorganisation process, thus confirming the content of the previous related agreements, defines additional actions in support of new business development opportunities, as well as the management of uneven employment distribution across the country. Special attention was paid to the Parcel Logistics Integration Plan, the commercial agreement with Amazon and the Equitalia Contract.

In order to bring staffing into line with market opportunities, the Company and the unions identified the following additional steps:

- new rules governing the management of the effects of re-employment of staff formerly employed on fixed-term contracts and temporary and agency staff following the sentence handed down against the Company. This new agreed procedure, in eliminating the need to deploy staff close to the areas in which they live, has led to the deployment of re-employed staff to sites in northern Italy where staff shortfalls are greater;
- voluntary transfers of postmen and women and production staff from sites in regions with staff surpluses to those with staff shortfalls;
- the conversion of part-time into full-time contracts, involving a maximum of 670 staff in 2014, for people requesting transfer to a site where employment needs have emerged.

Again with regard to Postal services, on 17 November 2014, in continuation of the initiatives designed to increase Poste Italiane's presence in the parcels market, the parties signed a statement of agreement regarding the trial launch of nationwide deliveries, by postmen and women, of parcels weighing up to 5 kg.

[28] On 10 December 2013, the Company and the labour unions signed an agreement regarding the recruitment on fixed-term contracts of delivery agency staff, up to a maximum of 596 people, who are unemployed or are the beneficiaries of income support as a result of the total or partial insourcing of Poste Italiane's delivery activities.

Performance-related bonus

On 30 July 2014, agreement was reached with the labour unions regarding the performance-related bonus for Poste Italiane SpA and the following Group companies: Poste Vita SpA, Poste Assicura SpA, Postetutela SpA, Poste Tributi ScpA, Posteshop SpA, Poste Energia SpA, EGI SpA and BancoPosta Fondi SpA SGR.

The agreement will last for one year and enables measurement of the contribution of staff to achievement of the company's objectives for 2014. The agreements also postponed definition of the structure of the bonus for the following three-year period until early 2015.

Bancoposta - new organisational model for Unified Service Automation Centres

The agreements of 23 and 31 July 2014 have defined the new organisational structure for the Unified Service Automation Centres[29] in Florence, Venice and Bari, which, in addition to processing payment slips used to pay bills, are equipped to carry out the activities linked to other financial products and services. The aim of the reorganisation is to create multi-purpose centres capable of responding flexibly to changing market needs and better handle certain activities of growing importance for the Company, such as seizures, fraud prevention, disputed payment transactions and reports of money laundering.

Renewal of the National Collective Labour Contract

In December 2014, continuing the approach adopted in 2013 and in accordance with the provisions of art. 3 of the National Collective Labour Contract, the Company and the labour unions signed a specific statement of agreement extending application of the pay and conditions in the National Collective Labour Contract of 14 April 2011 to the two-year period 2014-2015. In addition, it was agreed that staff will receive, in January and July 2015, two one-off payments amounting to an average of €500 per person for 2014 and an average of €300 per person for 2015. The agreement also envisages the setting up of a committee to look into what needs to be done in order to establish a supplementary medical insurance fund for the Group's employees.

Bilateral Agencies

In 2014 the *Ente Bilaterale per la Formazione e Riqualificazione del Personale* (Bilateral Agency for Staff Training and Retraining) continued to support the development, presentation and activation of various projects entailing advanced technical retraining, and concluded several agreements to assist in obtaining finance from Fondimpresa.

On the regulatory front, Law 78 of 16 May 2014, which converted Law Decree 34/2014 into law, regarding urgent measures to boost employment and simplify the procedures to be carried out by employers (the so-called Jobs Act), has led, among other things, to substantial changes in the regulation of fixed-term contracts. In this regard, a document has been prepared that, reflecting the legislative changes governing this issue, provides an overall, updated view of this type of contract, with the intention of supporting the Company's decisions and the resulting operational changes needed at the time of recruitment and in managing fixed-term staff.

In addition, the tax wedge was reduced for some categories of employees (the so-called "tax bonus") in implementation of the provisions of Law Decree 66 of 24 April 2014. A specific notification was issued to staff regarding the latter legislative change.

Social policies

In 2014, the well-established welfare system continued to improve the range and quality of inclusive services provided to socially vulnerable groups, and implement initiatives geared towards the needs of employees and their families. The development of teleworking is having a positive effect on the work-life balance, with about150 teleworking employees operating during the year. The Group continued to focus on prevention and health, the

[29] As noted in the section on the organisational structure, the Unified Service Automation Centres are responsible for processing the payment slips for bills paid at post offices.

integration of disabled people and multi-culturalism. The number of agreements providing discounts on a range of products and services for staff was also increased.

5.5 LABOUR DISPUTES

Compared with the previous year, the number of labour disputes is down 30%; the number of actions brought amounted to 1,460, compared with around 2,090 in 2013.
With regard to disputes over flexible employment:

- in relation to fixed-term contracts, 178 new claims were filed, compared with the 856 in the previous year. the number of cases lost – calculated on the basis of outcomes notified regardless of the year in which the claims were filed – was approximately 18% (around 19% in 2013);
- in relation to temporary and agency work, 5 new claims were filed, compared with 25 in 2013, with cases lost amounting to around 47% in 2014.

As was the case with litigation regarding fixed-term employment contracts in 2013, it should be noted that, with sentence 155 of 21 May 2014, filed on 4 June 2014, the Constitutional Court upheld the Company's position and deemed fully legitimate the rule[30] that establishes a deadline for claims relating to fixed-term contracts, even if the deadline has already expired on the date the act introducing the legislation came into force (24 November 2010). The sentence excludes the possibility that such treatment is worse than that given to other staff employed on different types of contract (e.g. temporary and agency contracts).
This important decision confirms that all former employees on fixed-term contracts, who did not file a claim within the deadline set by Law 183/2010 (potentially around 98% of those concerned), are precluded from taking legal action and, therefore, have no solid grounds for taking action against the Company.

The number of new disputes arising from other contractual terms and conditions amounts to 1,277 at 31 December 2014, marking a slight increase on the 1,209 of 2013.

[30] This is the rule introduced by art. 32, paragraph 1 of Law 183 of 4 November 2010.

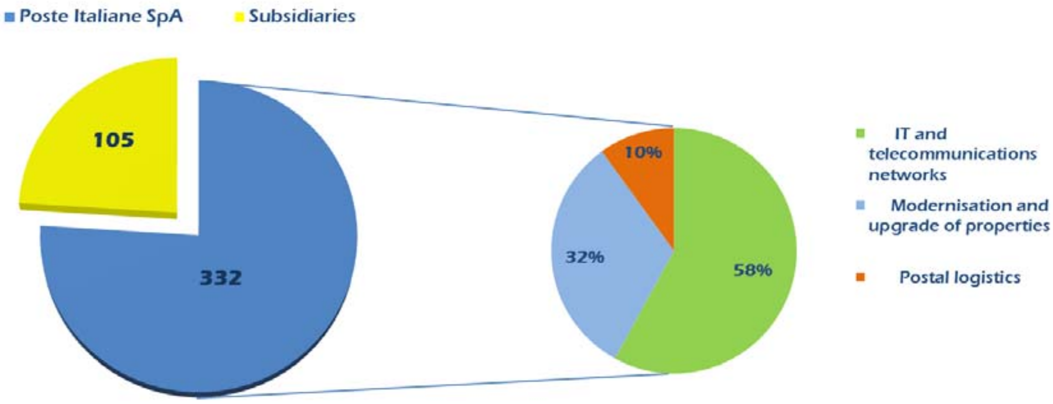
6. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

6.1 CAPITAL EXPENDITURE

Poste Italiane Group's capital expenditure

in the year ended 31 December (€m)	2012	2013	2014
Intangible assets	219	243	217
of which Poste Italiane SpA	*172*	*191*	*152*
Property, plant and equipment	258	261	220
of which Poste Italiane SpA	*229*	*228*	*180*
Total capital expenditure	**477**	**504**	**437**
of which Poste Italiane SpA	*401*	*419*	*332*
Property investments	5	1	1
of which Poste Italiane SpA	-	-	*1*
Total Poste Italiane Group capital expenditure	**482**	**505**	**438**

CAPITAL EXPENDITURE
(€m)



The Poste Italiane Group's capital expenditure during the year amounts to €438 million, including €437 million in capital expenditure and €1 million in property investments. The Parent Company's capital expenditure (€332 million) represents 76% of the total amount invested by the Group. As described below, 58% of this sum regards ICT (Information & Communication Technology), 32% the modernisation and upgrade of properties and the remaining 10% postal logistics.

Capital expenditure by the other Group companies amounts to €105 million, primarily attributable to PosteMobile SpA (€56 million), the Poste Vita group (€15 million) and the Postel group (€11 million).

PosteMobile SpA's investment initiatives, in 2014, focused on continued development of its technological resources, with the aim of: increasing its competitiveness in the mobile telecommunications market, boosting the quality, reliability and security of the services offered and opening up new areas of business. The main focus was on the initiatives needed to enable the company to evolve into a Full MVNO (Mobile Virtual Network Operator). This led to the marketing of the company's first proprietary SIM cards, and the start-up of the project that will enable PosteMobile to provide its customers with mobile services using Long Term Evolution (LTE) technology.

The Poste Vita group's capital expenditure also focused primarily on IT, with work on the development of business support systems (e.g., the management of claims) and the purchase of new programmes and software licences.

Finally, the Postel group was engaged in developing Integrated Document Management services and in the upgrade of its information systems.

6.1.1 IT AND TELECOMMUNICATIONS NETWORKS

During 2014, the Parent Company continued with the implementation of projects aimed at the continuing evolution and optimisation of the technology infrastructures that provide business support and ensure a high degree of security.

Within the scope of investment in "infrastructure platforms", the Company continued to focus on the consolidation and development of hardware, storage and backup systems, as well as activities aimed at redesigning the Group's Data Centre infrastructure. Over the years these activities have led the original 35 data rooms distributed nationwide to be reduced to the current 5 Data Centres[31], to which a further 750 m^2 at the Turin Data Centre was added during the year, increasing the total size of the centre to 1,500 m^2. Work on migrating the technology infrastructure used by a number of Poste Italiane Group companies to the Turin Data Centre also began.

Regarding the process of consolidating the server system, work began on upgrading the software used in virtualisation and the operating platforms at all Data Centres, whilst the capacity management[32] technology was upgraded.

In terms of storage systems, the centralised infrastructure was brought into line with actual business requirements, procuring the necessary equipment.

The plan to ensure the security of the technology infrastructure continued, involving the upgrade of Data Centre systems, and the computerisation of equipment continued via the upgrade of the hardware used at post offices and administrative offices: over 17,000 items, including work stations, Random Access Memories (RAMs), notebooks and ultrabooks, printers, barcode readers, franking systems and other assets were purchased during the year.

With regard to financial services, the process of ensuring compliance with anti-money laundering and anti-terrorism regulations involved the further development of IT procedures, integrated with front-end systems used in conducting adequate checks on customers, anti-terrorism controls and in profiling customers on the basis of their risk potential.

6.1.2 MODERNISATION AND UPGRADE OF PROPERTIES

The size of Poste Italiane's property assets entails an ongoing commitment to modernising and upgrading the buildings concerned, involving routine and non-routine maintenance. The main activities during the year primarily regarded planned renovation projects (including furniture and fittings) and non-routine maintenance, designed to make improvements to meet workplace needs and those related to the services provided. Other initiatives included the waterproofing of roofs, work on external facades, lift repairs and new flooring.

Investment also focused on the relocation of offices following the expiry of leases or on improving the use of space, the complete restructuring of offices to meet regulatory or operational requirements, and on the installation of technology and equipment aimed at improving workplace health and safety, in compliance with current legislation.

[31] The 5 Data Centres in operation are: Rome Arte Antica, Rome Congressi, Pomezia, Bari and Rozzano.

[32] The capacity management process includes understanding current demand for services and forecasting future needs, the capacity to influence demand for services and IT resources, and preparation and updating of a capacity plan that takes all business needs into account.

Other initiatives were aimed at achieving prompt resumption of operations at post offices affected by criminal acts (ATM explosions, damage to walls, fixtures, doors, toilets, bulletproof glass, electrical connections, etc.), and at the same time upgrade the physical security of post offices via activation, integration or replacement of alarm and video surveillance systems, as well as the implementation of hold-up alarm systems.
Finally, following the floods that hit the Emilia Romagna region in January 2014, work was carried out on damaged properties. Work on the resumption of operations in the areas stuck by the earthquakes of 2012 (Emilia Romagna and Calabria) also continued. In a number of cases, after a closer inspection of the state of the property, it was necessary to rebuild the site from scratch.

Work on the modernisation and upgrade of properties used in operations regarded the complete restructuring of 51 post offices and the partial restructuring of approximately 300.

6.1.3 POSTAL LOGISTICS

Investment initiatives in the postal logistics segment primarily regarded three areas: rationalisation of the Delivery and Logistics Networks[33], "operational compliance", involving work on bringing postal network centres involved in the current reorganisation into line with operational and regulatory requirements, and "business development".
As part of the rationalisation of the Logistics Network, the setup of equipment and the preparation of facilities at the Fiumicino and Padua sorting centres, in readiness for the installation of the mechanised plant from the Novara, Pisa and Venice Priority Centres (formerly sorting centres), was completed. This involved the transfer of equipment from the Novara and Pisa Priority Centres to the Rome Fiumicino sorting centre and of equipment from Pisa to the Padua sorting centre.

In connection with the Parcel Logistics Integration Plan, work on upgrading the sites at the ten sorting centres chosen to house parcel storage and tracking operations continued, in line with the logistics network rationalization plan.
Finally, the technology upgrades necessary for the mapping of delivery zones on a cartographic basis and the georeferencing of street numbers was carried out. This also involved the handheld devices used by postmen and women.

With regard to the operational compliance of the Group's facilities, 67 infrastructure projects were completed in 2014. These essentially related to the management and organisation of operating processes so as to improve safety and comfort. In particular, infrastructure projects regarded work on the fleet, on internal road networks and on access systems for plants. In addition, following the reorganisation of delivery zones, work was carried out on the upgrade of 57 Distribution Centres affected by the amalgamation of delivery sites.

As regards initiatives designed to support the business, the process of developing a tracking system for inbound items of mail using the international *Exprès* service was completed, as was development of the proof of delivery form for legal process (Forms 23L). Moreover, work on integrating the Nuovo SIN (New Integrated Notification Services) platform and Tracking (T&T) systems has also led to a further reduction in the time it takes to report proof of delivery for legal process for the Municipality of Milan, enabling the Company to comply with contractually agreed levels of services. An Integrated Notification Service for Legal Process has also been created for the Municipality of Milan, with the potential to be offered to new customers.

[33] This regards work on consolidating the reorganisation of Postal services, resulting from the National Agreement of 28 February 2013, with regard to both Delivery operations and the Logistics Network.

The new integrated system for managing mail (*SIGIT*) has also been completed, with the development of new functions designed to manage multiple customers (UNEP[34], SINP[35] and SINT[36]) and multiple products (legal process and registered mail).

6.2 INVESTMENTS

Poste Italiane SpA's investments

in the year ended 31 December (€m)	2012	2013	2014
Investments	-	410	243

Amounts invested by the Parent Company in subsidiaries and associates relate to the following events in 2014:

- the subscription for new shares issued by Banca del Mezzogiorno-MedioCredito Centrale SpA, amounting to €232 million;
- €9.9 million in capital injections for Mistral Air Srl[37] to cover losses incurred to 30 June 2014 and establish an extraordinary reserve;
- the subscription for new shares, amounting to €0.8 thousand, issued by Poste Holding Participações do Brasil Ltda (76% owned by Poste Italiane SpA and 24% by PosteMobile SpA). Moreover, following the decision to put the Virtual Mobile Network Operator project in Brazil on hold, on 27 November 2014, Poste Italiane SpA's Board of Directors decided to put the company into liquidation;
- the subscription for 58.12% of the consortium fund of Consorzio PosteMotori[37], amounting to €70 thousand;
- the acquisition, on29 May 2014, of a 20% stake in ItaliaCamp Srl[37] for a total of €2 thousand.

[34] UNEP- Ufficio Notifiche Esecuzione Protesti (the Office for Notifications, Enforcement and Protests).
[35] SINP - Servizio Integrato Notifiche Professionisti (integrated notification service for professionals).
[36] SINT- Servizio Integrato Notifiche Territoriale (local integrated notification service).
[37] Further details are provided in section "2.2 Group companies and operating segments".

7. RISK MANAGEMENT FOR THE GROUP AND POSTE ITALIANE SPA

RISK MANAGEMENT

Responsibility for risk management has, for some years now, been the responsibility of a number of functions who complement each other's roles and has been conducted via a series of business processes. This arrangement is currently being reviewed within the context of the Company's future stock market listing. The Company has, therefore, completed an assessment of the Internal Control and Risk Management System at the Parent Company and its principal subsidiaries, identifying and analysing the organizational structures involved, at various levels, in risk control and management activities. Implementation of the necessary improvements to each area of the System examined as part of the assessment is underway. In particular, a process of integrated risk assessment has been introduced on the basis of the new business plan, whilst organisational and change management initiatives are focusing on risk management functions.

OPERATIONAL RISK

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk.

The principal types of identified risk are described below.

Fraud and external event risks

One of Poste Italiane's areas of focus is post office security in order to protect its staff and the Company's assets, and deal with the risks deriving from fraud or crime perpetrated by outsiders.

Its ongoing commitment to improving levels of security has enabled the Company, in 2014, to cut the number of robberies by 30.2% and thefts by 2.6%, compared with the previous year. Attacks on ATMs have, instead, risen from the 46 of 2013 to 74 in 2014, with the percentage of successful attacks rising from 13% in 2013 to 16% in 2014. With regard to cash trapping, instances of which have risen with respect to 2013, the Company increased the installation of anti-cash trapping kits in ATMs located in areas of the country where the problem is most prevalent (the Campania and Lombardy regions).

Great attention is also paid to combating the risks deriving from potential fraud inside and outside the Company and specific steps taken. To combat such risks, Poste Italiane has adopted a range of tools, used by the various departments within the Company, including the Oracolo system for checking proof of identity and the Identity Check system for controlling access to the website at www.poste.it, enabling it to block perpetrators already known to the authorities. These systems have enabled the Company to conduct over 27 million checks and analyse more than 3 million subscriptions of financial products in 2014, preventing an estimated 2.1 million frauds.

As part of efforts to prevent and combat digital identity theft, the "Fraud.DNA" system, based on an analysis engine capable of spotting any unusual online activity by a customer, enables real-time analysis every time someone accesses Poste Italiane's online services, in order to rapidly identify any customer accounts that have been violated and prevent digital identity theft. During 2014, approximately 50 million accesses to online services were monitored, enabling around 49 thousand affected accounts to be identified and blocked.

In the same way, the anti-malware fraud detection service picks up the presence of malware on the computers used by customers to access its online services, enabling the interception and analysis of around 93,000 malware attacks and the identification of over 27 thousand infected computers in 2014.

Although to a lesser extent than in the past, phishing continues to be one of the most prevalent and sophisticated forms of online fraud. The organisational and technological controls used for the prevention, management and elimination of this crime have enabled the Company, in 2014, to intercept and analyse over 10 thousand cases. 3,489 attacks were dealt with, resulting in the shutdown of the same number of clone sites (around 65% of the clone sites were shut down within 24 hours of interception).

Finally, the Early Warning service, which has already been integrated into Poste Italiane's CERT (Computer Emergency Response Team) and is designed to handle reports of new cyber threats (covering vulnerability, malicious codes, security risks, critical issues and IP addresses identified as malicious and other data), led to the identification of 4,961 IT vulnerabilities and 1,369 malicious codes during the year. The system also provides a description of the problem, its potential impact, how it spreads and the actions necessary to mitigate or combat the risk.

Information security

During 2014, Poste Italiane continued to focus great attention on information security, conducting specific information security risk analyses and assessments based on an InfoSec Risk Management system. This involves an initial Business Impact Analysis, followed by a risk assessment of the processes, information, applications, operating systems, hardware and facilities relating to the service being assessed.

Within the scope of cyber-crime prevention, the CERT – Computer Emergency Response Team, which has operated since 2013 at the Rome Technology Campus and is tasked with analysing and synthesising information flows from the various internal security systems and coordinating the response to any computer emergencies, has joined the main global security networks (such as ENISA – the European Union Agency for Network and Information Security; Trusted Introducer for Security and Incident Response Teams, a network of organisations that registers and provides accreditation for IT security and incident response teams throughout Europe; FIRST – Forum of Incident Response and Security Teams, a body that maps and certifies leading CERTs at international level).

Regulatory risk

Given that the Group operates in a range of different sectors, it is subject to numerous laws and regulations (specific laws and regulations, including tax and environmental legislation, and regulations issued by supervisory authorities). Compliance requires the continual revision of internal processes and procedures, their application to market offerings, initiatives designed to prevent external disputes and appropriate staff training, to note only a few. Regulatory compliance is the responsibility of specific units within the various departments, in addition to the Legal Affairs function.

Regulatory and Legislative Affairs is also responsible for the process of establishing and representing the Group's position before government bodies and national and international regulatory and supervisory authorities.

Risks connected to the management of human resources

The significance of Poste Italiane's personnel expenses means that any changes in legislation, regarding contributions or other staff-related matters, can have a substantial impact on operating results.

In addition, although to a limited extent with respect to the past, the Company continues to be involved in labour disputes regarding fixed-term contracts that the Company keeps under control, in part through a number of important labour union agreements.

Achievement of the Company's objectives is dependent on continual staff development through training programmes, including e-learning initiatives, designed to enhance the professional skills of the Company's employees.

Other operational risks

Certain important business relationships are governed by separate agreements and contracts. Negotiations regarding the related financial conditions and other aspects of their renewal are often complex.

With regard to certain activities regulated by statute and specific agreements or contracts (the universal postal service and, until 1 June 2014, discounted tariffs for election campaigns), which envisage partial reimbursement by the government of the cost incurred by the Company, it should be noted that the amounts due to Poste Italiane are not always included in the state budget.

FINANCIAL RISKS

Responsibility for coordinating and managing the investment strategy and the hedging of capital market risks has been assigned to the Coordination of Investment Management function, which aims to ensure a uniform approach across the Group's various financial entities.

Treasury management for the Company and, on a centralised basis, for the Group, definition of the capital structure for the Company and the Group, and the assessment of funding transactions and extraordinary and subsidised transactions is, on the other hand, the responsibility of Administration, Finance and Control.

Management of the Group's financial transactions and of the associated risk management relates mainly to the operations of the Parent Company and the Poste Vita insurance group.

Balanced financial management and monitoring of the main risk/return profiles is carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and compared withl of financial risks, including the progressive introduction of appropriate information systems.

From an organisational viewpoint, risk management is the responsibility of:

- a Finance, Savings and Investment Committee, which is responsible for establishing policies governing management of the savings of retail customers, as well as strategies to be applied in managing the Group's financial assets. In view of the matters dealt with, the Committee is divided into three sections:
  - Finance, with the role of defining and overseeing the financial strategy;
  - Savings, with responsibility for establishing guidelines to be applied in the development of savings products;
  - Financial investment strategies, with the role of ensuring effective governance and the greatest possible alignment with strategic decisions regarding the allocation and management of the Group's financial assets.
- an Investment Committee established at the Group's insurance company, Poste Vita SpA, which, based on analyses by the relevant functions, provides advice to executives on the development, implementation and oversight of investment strategy;
- BancoPosta RFC's Cross-functional Committee, headed by the CEO. Other permanent members are the Head of BancoPosta and the heads of the functions primarily involved with BancoPosta RFC. The Committee provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions;
- a Risk Measurement and Control function established at the Parent Company and subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA, Banca del Mezzogiorno-MedioCreditoCentrale SpA and Poste Vita SpA), and that operate on the basis of the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory committees, which are responsible for carrying out an integrated assessment of the main risk profiles.

In addition, a Financial Risk Committee set up by the Parent Company assesses and monitors the Group's overall financial risk exposure.

The Parent Company's financial transactions primarily consist of BancoPosta RFC's operations (further information is provided below in section 11.2.2 "Risk management system" in the "BancoPosta RFC management review"). BancoPosta RFC's operations consist of the investment of cash held in postal current accounts invested in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The Company is required to invest the funds deriving from postal current account deposits by private customers in euro zone government securities[38], whilst deposits by Public Sector entities are deposited with the Ministry of Finance and the Economy. The maturity profile is based, among other things, on a leading market operator's statistical/econometric model of typical postal current account interest rates and maturities, resulting in a prudent projection of the future volume of deposits.

Operations not covered by BancoPosta RFC, primarily relating to management of the Parent Company's own liquidity, are carried out in accordance with investment guidelines, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. Liquidity is also deposited in postal current accounts, with the resulting deposits being subject to the same requirements applied to the investment of deposits by private current account holders.

With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes the four main subsidiaries and entails zero balance cash pooling with transfers effected through the banking system. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

The financial instruments held by the insurance company, Poste Vita SpA, primarily regard investments designed to cover its contractual obligations to policyholders who have taken out classic with life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

Traditional life policies (Branches I and V), include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable, in accounting terms only, within the company's assets (so-called separately managed accounts). Portions of gains and losses resulting from measurement are also attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. On these products, the company provides a minimum rate of return payable upon maturity of the policy. It follows that the impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial model (Asset-Liability Management) which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model enables quantitative management of the risks assumed by the Group, helping to reduce the volatility of earnings and ensure an optimum allocation of financial resources.

Certain Branch I and V products entail guaranteed revaluations linked to a specific asset (so-called capitalisation contracts). The assets are comprised of securities issued by Cassa Depositi e Prestiti and government securities. Returns are only indexed for the initial years of a product's term. Subsequent to the second or third year, returns are indexed to separate pools of assets. The financial risk of capitalisation products is fully covered by insurance liabilities other than the risk of default by the issuer which is borne by the insurer.

[38] Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government..

Index-linked and unit-linked products, relating to Branch III insurance products, regard policies where the premium is invested in structured financial instruments, Italian government securities, warrants and mutual investment funds. For this type of product, issued prior to the introduction of ISVAP Regulation 32 of 11 June 2009, the company does not guarantee capital or a minimum return and, therefore, the associated financial risks are borne almost entirely by the customer. However, in the case of policies issued after the introduction of the regulation, the company assumes liability for solvency risk associated with the instruments in which premiums are invested and also offers, when contractually provided for, a guaranteed minimum rate of return. The company continuously monitors changes in the risk profile of individual products, focusing especially on the risk linked to the insolvency of issuers.

Poste Italiane Group's business is by its nature exposed to elements of reputational risk, linked to market performance and primarily associated with the placement of investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SGR).
In this regard, in order to optimise the risk-return profile of the products offered to its customers, Poste Italiane has adopted competitive selection policies and procedures for third-party issuers, entailing the selection of domestic and foreign issuers consisting solely of banks and other financial companies with investment grade ratings. In addition, in order to protect and safeguard the Group's excellent reputation and public confidence in its operations, and to protect its commercial interests from potential dissatisfaction among savers, significant monitoring activity is carried out throughout the Group to keep track of the performance of individual products and of changes in the risks to which customers are exposed, assessing the contractual nature of the products in question in terms of how they meet the needs of the various customers. With regard to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, in addition to assessing the need for provisions in the financial statements Poste Italiane is closely monitoring market trends in order to protect its customers' interests.,

Further information on financial risk management is provided in the notes to Poste Italiane's financial statements for the year ended 31 December 2014 (5. Risk management).

8. EVENTS AFTER 31 DECEMBER 2014

No events of significance occurred after 31 December 2014.

Minor events after the end of the reporting period are described in other sections of the Annual Report.

9. OUTLOOK

In 2015, the Postal and Business services segment will continue the organisational restructuring of logistics and operations, as well as developing business using new technologies.

Changes to logistics and operations will see ongoing implementation of the new operating model for postal services, which will focus on three areas of intervention, Postal Network Operations and their Optimisation and Evolution.

Postal Network Operations brings together initiatives designed to ensure the network's operational continuity and optimisation of the Tracking system, which provides prompt updates on the progress of items through the logistics chain. The initiatives relating to *Optimisation of the Postal Network* involve improvements to the process efficiency through digitisation and automation, with particular regard to management of the fleet, the internal processes carried out by delivery staff and at Sorting Centres.

Evolution of the Postal Network will focus on the re-engineering of network logistics, with the introduction of new models for sorting and delivery.

In 2015, business development will focus on initiatives aimed at strengthening relations with business customers, through the development of customised solutions and extension of the range of services offered.

In this regard, the *Raccomandata InCittà* product will be launched. This is a tracked service for signed-for mail sent from within the same municipality, and includes the *Pickup Light* and *InfoDelivery Light* services for reporting proof of delivery.

2015 will also see creation of the Direct Marketing Competence Centre, a network of communication consultants who will provide additional assistance in the planning and distribution of communication campaigns for large account customers. Direct Marketing operations will also witness the launch of the new web portal, *Poste Direct*, which will enable users to autonomously create their own direct mailing campaign. Finally, *Direct Marketing Boxes* will be available at Poste Impresa offices, providing customers with a one-stop solution for producing printed materials, creativity, address lists, printing and delivery.

In terms of integrated services, the Company plans to strengthen its role as a Government Service Provider in handling the front-end and back-office processes involved in managing applications and paperwork and extending the range of Integrated Notification Services offered.

The Philately programme for 2015 will include issues linked to thematic series focusing on "Excellence in the productive and economic system", "The Civic Sense", "Italy's artistic and cultural heritage", "Sport" and "Anniversaries". The most important commemorative and celebratory issues will include the issue of stamps marking the First World War, the 70th anniversary of the Liberation, the "Milano 2015" Universal Exposition, the International Year of Light and the 40th anniversary of the death of Pier Paolo Pasolini. In addition, the usual national Milanofil and Romafil events will be held, whilst education days will be organised as part of the "Philately for Schools" and "Philately in Prisons" projects.

In the Express Delivery and Parcels segment, the Group will continue with efforts designed to optimise the range of e-Commerce products, with the aim of exploiting the widespread nature of the postal network to increase its market share.

This will include completion of an overall review of the offering, which will result in the launch of new value-added domestic and international services for customers, such as, for example, full rollout of the reverse logistics service for the return of undelivered mail.

In order to continue the improvement in its operating performance, seen in 2014, SDA Express Courier SpA will focus its sales development efforts on raising the average sale price by boosting its penetration of the small and medium-sized customer segment.

Alongside business development initiatives, the company plans to invest in the automation of a number of major Branch Offices, equipping them with sorting machinery capable, in one go, of boosting capacity and partially relieving pressure on the on the Bologna, Milan and Rome hubs.
Further investment in the latest handheld devices for couriers will take place, providing benefits in terms of service quality and the interface with customers.
Finally, all the necessary steps, primarily of an operational nature, will be taken, in synergy with the Parent Company, in order to increase the degree of integration of logistics networks, with a view to optimising and rationalizing the network.
BancoPosta RFC's commercial initiatives in the Financial services segment are described in section 11.6 "Outlook for BancoPosta RFC".
As part of a wider plan to provide a boost for underdeveloped areas of the country and rationalise the management of government incentives for industry, at the end of 2014 Poste Italiane began to examine the potential transfer to Invitalia (the national agency responsible for attracting inward investment and promoting industrial development, wholly owned by the Ministry of the Economy and Finance) of its entire interest in Banca del Mezzogiorno – MedioCredito Centrale SpA.

The Poste Vita insurance group will continue to be geared towards implementing the strategic and business priorities set out in its business plan, with a growing number of major initiatives, including those relating to distribution and of a financial nature, with a view to driving further profitable growth.
The group expects to see further growth in premium revenue in 2015, in part thanks to innovative extension of its offering and by boosting sales activities in parallel with the distribution network.
In addition, Poste Vita will continue work on other projects, including the task of ensuring compliance with the new "Solvency II" regulations, with initial requirements coming into force during next year.

2015 will see PosteMobile position itself as an enabler of mobile digital services, offering innovative, easy-to-use and secure services, and implementing a strategy designed to consolidate its core business and achieve growth in markets adjacent to and integrated with those of the Poste Italiane Group. Initiatives will be orientated towards developing and launching Broadband LTE services, building on its distinctive offering and extending the company's activities with the launch of strategic diversification projects and the development of new services.

As already mentioned in other parts of this document, in 2015 Poste Italiane will also be involved in the process of listing its shares on the stock market. As part of this process, the settlement of certain outstanding receivables due from the state and a number of statutory and regulatory aspects will continue to be of great importance.

These commercial initiatives will be implemented against an economic backdrop with an uncertain outlook. The European Commission has confirmed that Italy is expected to return to modest growth in 2015, with GDP rising 0.6% year-on-year, whilst the OECD puts the expected rate of growth at 0.4%.
Difficulties remain in the jobs market, which is expected to benefit from the entry into effect of the Jobs Act, and deflationary pressures, whilst weaker, are still present. The expected increase in real household disposable income, due to the fall in energy prices, will only partially translate into an increase in consumer spending.
Crucial in this context are the decisions taken by the European Central Bank which, in March 2015, launched its Quantitative Easing programme, which will see the Bank purchase securities (in large part government bonds) totalling €60 billion a month through to September 2016.

This will be the backdrop to the Poste Italiane Group's operations in 2015. The Group, which will continue to be penalised by the steady contraction in traditional mail volumes and the related revenue, will benefit from the commercial launch of new postal, financial and insurance services, whilst continuing to meet its Universal Postal Service obligations.

In the light of the above, the Group's results for 2015 are expected to be in line with those for 2014.

10. OTHER INFORMATION

10.1 PRINCIPAL PROCEEDINGS AND RELATIONS WITH THE AUTHORITIES

AGCM (the Antitrust Authority)

During the year, the Parent Company continued to engage with the Antitrust Authority in relation to the investigation of Poste Italiane's business practices (A/441), launched in 2012 to establish whether the Company had abused its dominant position in the deregulated postal services market. The purpose of the procedure is to determine the extent to which Poste Italiane could be deemed to have abused its dominant position in violation of article 102 of the European Treaty, given that the Company does not charge VAT on services it considers to be deregulated, in compliance with prevailing national legislation (which exempts VAT for universal service provision, including deregulated services).

In March 2013 the Authority concluded the procedure, ruling that Poste Italiane cannot take advantage of such a tax break and that it had "*abused its dominant position by applying discounts – due to the non-application of VAT – that its competitors could not match, thereby resulting in unfair competition, to the detriment of consumers*".

In addition, the Authority has decided:

- for disapplication of Italian legislation, specifying that the Company "*is not liable to fines for the period prior to the decision to disapply national legislation*", as it cannot be sanctioned for conduct prior to the Authority's decision to disapply Italian legislation;
- that "*Poste Italiane should, therefore, cease the abuse by charging VAT on postal services, falling within the universal service, whose conditions of supply have been deregulated*".

Poste Italiane appealed the Authority's ruling before the Lazio Regional Administrative Court, requesting its cancellation and an injunction suspending its application. The Regional Administrative Court rejected the appeal in a sentence filed on 7 February 2014. Therefore, the Company appealed to the Council of State, at the same time requesting suspension of the Regional Administrative Court's sentence and, accordingly, the Authority's ruling. On 4 April 2014, at the request of the Antitrust Authority, Poste Italiane sent the Authority a report on initiatives adopted to comply with the ruling. On 20 May 2014 the Court convened in chambers before the Council of State to hear the application for interim relief submitted by Poste Italiane regarding suspension of the Regional Administrative Court's sentence and the Authority's ruling. Partly due to the fact that Poste Italiane has already adopted a series of initiatives aimed at complying with the Authority's ruling, the application for relief was not discussed and the case was adjourned to a hearing on its merits, to be scheduled by the Court, regarding which a reasoned request to bring forward the hearing was submitted. On 1 July 2014, the Authority sent Poste Italiane an initial request for information for compliance assessment purposes. This was followed by further requests. The Company has, in response, submitted a number of reports and documents detailing the initiatives adopted in order to comply with the Authority's ruling. The Company is currently preparing its response to a further request for information from the Authority.

In the latest development, on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws, based on the approach adopted by the Antitrust Authority. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

Procedure A/413, concerning alleged abuse of a dominant market position in connection with certain business practices of Poste Italiane, relating to the Posta Time product and participation in certain tenders, led the Antitrust Authority to impose a fine of €39 million on the Company in December 2011. At a hearing on the merits held on 9 January 2014 (sentence published on 6 May 2014), the Council of State upheld the Regional Administrative Court's ruling of April 2012, thus overturning the fine imposed by the Authority.

In March 2011 the Antitrust Authority launched procedure PS/6858 regarding alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code). This regarded the unavailability of forms relating to standard Registered Mail and Standard Parcel products at post offices. On completion of its investigation, the Authority imposed a fine of €540 thousand on Poste Italiane. The fine was paid in February 2012, but the Company has appealed the fine before the Lazio Regional Administrative Court. A request to bring forward the decision on the merits of the case has been submitted.

PosteMobile SpA lodged an urgent appeal with the Lazio Regional Administrative Court against measure PS/8287 on 25 July 2012, by which the Antitrust Authority imposed a fine of €100 thousand on the company for alleged violation of articles 20 and 22 of the Consumer Code (so-called "unfair business practices"), alleging, in particular, that the advertising on the company's website promoting the "*Zero Pensieri Infinito*" offering was misleading, in that it failed to make the restrictions on use of the promotional prices sufficiently clear. On 15 May 2013 the Regional Administrative Court accepted the appeal and suspended application of the fine. The hearing on the merits was held on 11 June 2014. The Court's sentence was subsequently published on 30 July 2014. The Court has quashed the fine and ordered the company's legal costs be paid.

AGCom (the Italian Communications Authority)

With regard to Universal Service tariffs, as part of its investigation of "the setting of the price cap for services falling within the scope of the universal service obligation" launched in 2012, AGCom approved Resolution 728/13/CONS in December 2013. This resolution, which makes substantial changes to the draft measures submitted for public consultation, in all respects replaces the price cap regime that has been applied until now.

The resolution governs the prices that Poste Italiane may, in the three-year period 2014-2016, charge for universal postal services, in particular granting the option to increase the existing tariffs for services within the cap represented by "fair and reasonable" prices, without prejudice to the safeguard cap for priority and registered mail for retail customers (respectively, €0.95 and €5.40, to be reached progressively over three years). In addition, the resolution introduces new obligations for Poste Italiane in terms of cost accounting for postal services and in the matter of access to the universal postal network.

Following an in-depth technical and financial analysis, the Company concluded that there are grounds to appeal to the administrative courts to overturn the resolution. A hearing on the merits has been adjourned until a later date.

In June 2014, AGCom and Poste Italiane met to discuss the method of implementing certain provisions contained in the resolution and, in August, the Company informed AGCom of its intention to increase the prices of a number of the services included in the Universal Service, with effect from 1 December 2014:

- an increase in the retail price for priority mail from €0.70 to €0.80 (for the first attempted delivery and the acknowledgement of receipt service, with proportional increases for the other attempts at delivery and international services);
- an increase in the retail price for registered mail from €3.60 to €4.00 (for the first attempted delivery, with proportional increases for the other attempts at delivery and international services);

- a reduction in the price for legal process from €7.20 to €6.60 (for the first attempted delivery, with proportional price reductions for the other attempts);
- the repricing of ordinary domestic and international parcels services, with the creation of two attempts at delivery and the grouping of overseas destinations into six price zones.

On 21 January 2015, the Authority notified Poste Italiane of its decision to contest the failure to increase the price of *Raccomandata Online* (online registered mail), given the increase in the retail price for registered mail. According to the Authority, this constitutes a violation of what is permitted by art. 9 of the Resolution, which links the prices of the two products in question. Poste Italiane submitted a defence brief on 20 February 2015.

On 30 January 2015, the Consumers' Association, Codacons, which had challenged the section of Resolution 728/13/CONS in which it permits increases in the prices of Poste Italiane's universal services, challenged the increases introduced from 1 December 2014, submitting additional arguments and requesting interim relief. On 25 February, the Administrative Court did not examine the request for interim relief submitted by Codacons and the challenge was adjourned to a hearing on the merits, which has yet to be scheduled.

The above Resolution 728/13/CONS also contains provisions relating to access to Poste Italiane's network. In particular, AGCom requires Poste Italiane to provide, at the request of third parties, access to its postal services under fair and reasonable conditions freely negotiated by the parties. Whilst awaiting the outcome of the Company's appeal against the resolution, Poste Italiane has received two requests for access to its postal network, one in February and a second in October 2014. Neither of the negotiations has come to a conclusion. With regard to the first request, in October 2014, the operator making the request asked the Authority to intervene. As a result, the Authority has urged the parties to continue with their negotiations.

On 9 April 2014 AGCom merged the procedures launched on 4 October 2012 with Resolution 444/12/CONS, concerning the "universal postal service: analysis and application of the allocation mechanism and assessment of the net cost of the service for 2011", and on 13 March 2014 with Resolution 117/14/CONS concerning "analysis and applicability of the mechanism for allocating and assessing the net cost for 2012". On 28 May 2014, with Resolution 260/14/CONS, the Authority then launched a public consultation on the draft measure "Universal postal service: analysis and applicability of the method for allocating and assessing the net cost for 2011 and 2012".
Poste Italiane presented its contribution to the consultation on 10 July 2014, providing detailed aspects underpinning its analysis.
On 29 July 2014, the board of AGCom issued Resolution 412/14/CONS, approving the measure defining the method of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. In confirming that the cost of the universal service for 2011 and 2012 is, in certain respects, unfair and thus merits compensation, the resolution quantified the cost for 2011 and 2012, respectively, as €380.6 million and €327.3 million, compared with compensation (calculated on the basis of the subsidy cap mechanism provided for in the existing Planning Agreement) originally recognised by Poste Italiane of approximately €357 million and €350 million, respectively[39]. For the first time, following transposition into Italian law of the third European directive regarding postal services (Directive 2008/6/CE), the so-called "net avoided cost" method has been applied in quantifying the cost of the universal service. This method defines the cost incurred as the difference between the net operating cost incurred by

[39] The sum of €357 million for 2011 was approved by the European Commission (EC). The compatibility of the sum of €350 million for 2012 will be assessed by the Commission as part of its assessment of the entire three-year period 2012-2014. The 2012 Stability Law had, in contrast, earmarked the sum of €321.6 million for 2012. In addition, in May 2014, the EC was given advance notification of the levels of public compensation to cover the cost of the Universal Service for the three-year period 2012-2014 and the five-year period 2015-2019.

a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

On 23 September 2014, the Authority published Resolution 493/14/CONS, marking the start of the process covering the analysis and applicability of the method for allocating and assessing the net cost of the Universal Postal Service for 2013[40], with the aim of checking the calculation against the method applying the indications contained in Directive 2008/6/EC, and identifying, if necessary, a mechanism for allocating the cost among operators that would minimise market distortion.

On 13 November 2014, the Company lodged an appeal with the Administrative Court against AGCom's resolution relating to the net cost for 2011 and 2012.

On 4 June 2013 AGCom published Resolution 372/13/CONS, alleging that Poste Italiane had failed to achieve its regional sub-target for priority mail in the Campania region for 2012, proposing a fine of €400 thousand in accordance with the *Contratto di Programma* (Planning Agreement) for 2009-2011. During the investigation, Poste Italiane informed the regulator of all the various force majeure events that resulted in its failure to meet the targets, requesting that the fine not be imposed. With Resolution 18/14/CONS of 21 January 2014, the Authority imposed a fine of €300 thousand on Poste Italiane, only partially recognising the role played by the above force majeure events. On 31 March 2014 the Company lodged an appeal before the Regional Administrative Court against the Resolution and is waiting for the hearing on the merits to be scheduled.

On 17 July 2014 AGCom published Resolution 364/14/CONS, launched a survey entitled "Universal Service: the needs of end users and potential future developments", with the aim of assessing the adequacy of postal services, above all those classed as universal, in relation to the needs and expectations of end users. On 13 January 2015 AGCom issued Resolution 22/15/CONS, extending the deadline for termination of the survey by 180 days.

On 29 July 2014 AGCom adopted Resolution 410/14/CONS, containing Regulations governing aspects of the procedure for administrative fines and commitments covering the pre-investigation and investigation stages of AGCom procedures involving the imposition of administrative fines in the sectors for which it is responsible. The resolution also marked the start of a public consultation on the document containing guidelines on the criteria for actually quantifying the fines. Poste Italiane presented its submission for the consultation on 14 October 2014.

On 21 March 2013 AGCom published Resolution 236/13/CONS, with the aim of assessing the fairness of the criteria for the distribution of points of access to the public postal network provided for in existing legislation. During the investigation, Poste Italiane presented the fairness of its current criteria to AGCom. Subsequently, on 30 January 2014, the Authority issued Resolution 49/14/CONS, initiating a public consultation on a document concerning the aspects covered by the procedure. The aim is to consider the views of interested parties prior to arriving at its final ruling.

On 26 June 2014 AGCom adopted Resolution 342/14/CONS, concluding the procedure. This ruling has added to the current criteria used in deciding on the distribution of post offices, defined by the Ministerial Decree of 7 October 2008, introducing, in particular, a ban on the closure of offices located in municipalities in rural and mountain areas.

On 29 September 2014, the Company submitted, to AGCom, its plan for the rationalisation of post offices and delivery offices that are not financially viable in 2014.

[40] For which the 2012 Stability Law had earmarked the sum of €351.6 million and capped the sum for 2014 at €291.6 million, reduced by the 2014 Stability Law to €277.4 million.

European Commission

With regard to the proceedings relating to alleged state aid, in the form of remuneration in return for the use of current accounts to attract deposits, which is received from the Ministry of the Economy and Finance under the agreement of 23 February 2006, on 16 July 2008 (Decision C42/2006) the European Commission ordered Poste Italiane to return sums regarding the three-year period 2005-2007, deemed by the Commission to be "state aid", to the Ministry.

Having returned the amounts requested (€443 million, plus interest of €41 million), the Company filed an appeal before the European Community's Court of First Instance requesting cancellation of the Commission's decision.

The Court of First Instance's sentence of 13 September 2013 upheld Poste Italiane's appeal, cancelling the Commission's decision and ordering it to pay the related costs. As the sentence has become final following expiry of the deadline for the Commission to bring a legal challenge (the Commission has not appealed the court's ruling), the Company asked the MEF to establish how to implement the decision in respect of return of the sums paid plus the interest due whilst awaiting judgement. Poste Italiane also applied to the Commission for a refund of its costs, receiving a positive response on 22 January 2014.

In implementing the sentence of the European Court of 13 September 2013, the 2015 Stability Law has authorised payment of the sum of €535 million for 2014 to Poste Italiane.

On 15 October 2013, the European Commission notified initiation of a preliminary investigation, in accordance with EU regulations concerning state aid, regarding Alitalia Compagnia Aerea Italiana SpA ("Alitalia"), and submitted a series of requests for information on these matters to the Italian authorities. Subsequently, additional requests were submitted, to which the Italian authorities replied, partly based on information provided by Poste Italiane.

On 6 February 2015, the European Commission notified that it had completed its preliminary investigation without finding evidence of state aid as regards Poste Italiane's investment in Alitalia; Poste Italiane has invested in the airline under the same terms and conditions that would apply to two private operators (a so-called *pari passu* transaction).

Information on procedures and regulatory issues affecting BancoPosta RFC is provided in the section, "BancoPosta RFC management review".

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

Following the inspection that took place between 1 April and 14 July 2014, for the purposes of assessing the governance, management and control of investments and financial risks, and compliance with anti-money laundering regulations, on 17 September 2014 IVASS notified Poste Vita of its recommendations and the start of an administrative procedure regarding the alleged violation of four provisions concerning anti-money laundering regulations. The company has submitted defence briefs and the procedure will be closed within two years.

Litigation

In 2011, as part of a criminal investigation of third parties, the Tax Office in Rome, acting on behalf of local judicial authorities, seized accounting and administrative documents from Postel SpA related to e-procurement transactions carried out in 2010 and, to a lesser extent, in 2011; as a precautionary measure, e-procurement operations were suspended in 2011. The company and its external legal advisors will consider what actions to take to best safeguard the company's interests, should it be necessary.

On 27 February 2015, the tax authorities notified Poste Italiane SpA of an indictment for accounting irregularities before the Court of Auditors for the Lazio region, regarding a number of accounting records for the handling and distribution of revenue stamps in the years between 2007 and 2010. The hearing is scheduled for 2 July 2015.

Tax disputes

In 2012 the *Agenzia delle Entrate Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) began an audit of Poste Italiane SpA's IRES, IRAP, VAT and withholding taxes for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. This audit, which was suspended on 27 February 2013, was relaunched on 4 June 2014 and extended to include the 2010 tax year, exclusively regarding inspection of VAT exemption relating to postal services. The audit came to an end on 27 October 2014, with the tax authorities' findings being published in the official tax audit report and accepted by Poste Italiane SpA on 26 November 2014. Acceptance of the findings resulted in application of the minimum fines of approximately €31 thousand, in addition to taxes and interest. With regard to the tax authorities' examination of the issue of the VAT exemption for postal services, the inspectors did not find any irregularities, merely reporting the matter to the assessing office which, for 2009, did not find evidence of a violation. The Company believes the same will be the case in relation to 2010.

With regard to the tax authorities' notification to Poste Vita of alleged violations regarding the failure to pay VAT on invoices for service commissions in the tax years 2004 and 2006, Provincial Tax Tribunal of Rome has found in the company's favour, ruling the tax authorities' allegations to be unfounded. The related sentences have, however, been appealed by the tax authorities, as notified in December 2014. Poste Vita, via its tax consultants, filed its counterclaims on 16 February 2015. A date for the hearing has yet to be fixed. With regard to the alleged violation relating to 2005, the appeal is still pending before the Provincial Tax Tribunal of Rome, as a date for the hearing has yet to be fixed. The likely outcomes of the tax disputes continue to be taken into account in determining provisions for risks and charges.

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 BdM-MCC SpA received an official tax audit report contesting the deductibility of €19.6 million in costs, relating to agreements effected in 2008 to settle disputes with the Parmalat Group. The report further claims that BdM-MCC underreported its taxable income by €16.2 million, relating to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. In February 2012 the bank responded to the *Direzione Regionale del Lazio - Agenzia delle Entrate* (the local tax authority), indicating that the bank had acted properly, and in April gave an exhaustive answer to the Questionnaire sent by the tax authority. Considering that for the 2008 tax year the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Tax Tribunal.

Given that responsibility for these events and the related conduct rests with the previous owner of the bank, whose lawyers are defending the bank in this case, it is felt that any liabilities arising from such violations cannot, in any way, be attributed to BdM-MCC SpA.

In February 2013 the *Guardia di Finanza* (Tax Police) completed a tax audit initiated in 2012 of SDA Express Courier SpA regarding direct taxes for the 2009 tax year and refuse collection taxes for the period 2008-2011. In response to the only finding concerning financial transactions involving SDA Express Courier SpA, Poste Italiane SpA and Consorzio Logistica Pacchi Scrl, on 3 May 2013 SDA Express Courier submitted a defence brief to the Regional Tax Office for Lazio (*Direzione Regionale del Lazio*), requesting that the investigation be closed. The Tax Office has acceded to the request.

The audit of Postel SpA commenced by the tax authorities regarding the 2008 tax year has also been completed, with imposition of a modest fine that the Company paid at the beginning of 2014. On 22 July 2014, however, the *Nucleo Polizia Tributaria Roma* (Tax Police) commenced a new tax audit regarding direct taxes and VAT for the tax years from 2009 to 2012, with the aim of reporting on the violations identified as a result of the aforementioned criminal investigation described above in the section on litigation. This audit came to an end on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, is contested. To back up is defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000, which are still being considered by the tax authorities. The likely outcome has been taken into account in determining provisions for risks and charges.
In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the *Guardia di Finanza – Nucleo Speciale Polizia Valutaria* (Currency Police) in Rome began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio PosteLink, now merged with the company, and Phoenix 2009 Srl.

Postel SpA's appeal regarding the statute of limitations for the IRAP claimed by the tax authorities is pending before the relevant tax tribunal. The first hearing, previously scheduled for 12 March 2015, was adjourned in order to attempt to reach a court settlement.

On 17 November 2011 the tax authorities notified EGI SpA of three notices of assessment for the years 2006, 2007 and 2008, resulting in the identification of the same irregularity in each of the three years. This concerned the application, for the purposes of IRES, of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased by it to third parties. The company appealed the notices of assessment, which contained a demand for payment of IRES of €2.4 million, in addition to a fine of €2.4 million and interest, claiming that the findings were without basis in law and fact. On 9 February 2012 EGI appeared at court to file copies of the appeal with the Provincial Tax Tribunal of Rome. The sentence of the Provincial Tax Tribunal of Rome was filed on 11 July 2013, partially upholding the company's appeal and cancelling the fines imposed by the tax authorities, due to objective uncertainty over the significance and scope of application of art. 11 of Law 413/1991, but rejecting the remainder of the appeals. On 12 December 2013, EGI SpA filed an appeal with the Regional Tax Tribunal to have the sentence issued by the Provincial Tax Tribunal partially overturned, making reference to previous rulings by the Court of Cassation. The tax authorities, for their part, have submitted a cross appeal to have the Court overturn the part of the decision in first instance in favour of the company. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company proceeded to pay a total of approximately €2.1 million within the required deadline. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the Company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. The sentence was filed on 23 October 2014. The tax authorities may challenge the above ruling in the company's favour, lodging an appeal before the Court of Cassation by 23 April 2015 (the so-called "long" term for appealing provided for by art. 327, paragraph 1 of the Code of Civil Procedure).

10.2 THE ENVIRONMENT

Aware that the environmental policies of a major corporation have an impact on the country as a whole, Poste Italiane has for many years been committed to initiatives designed to strike a balance between its business activities and the need to protect the environment. This has taken the form of efforts to save energy, reduce greenhouse gas emissions and enhance the life cycle of raw materials through appropriate recycling initiatives.

Poste Italiane has for a number of years given preference to the purchase of electricity generated from renewable sources certified by RECS (the Renewable Energy Certificate System), the most reputable European system whose participants include producers, distributors and certification bodies from many countries. This has resulted in around 50% of the energy used by Poste Italiane coming from such sources. The Company also participates in international greenhouse gas reduction programmes, such as the IPC's Environmental Measurement and Monitoring System (EMMS) and Posteurop's Greenhouse Gas Reduction Programme. In addition to its focus on renewable energy, the Company is also committed to progressively reducing consumption through the adoption of a planning system and the use of automated and energy efficient plant in its properties (over two-thirds of emissions are attributable to the energy used to supply buildings).

The plan to optimise energy use continued in 2014, by encouraging staff at the Company's over 15 thousand sites (post and delivery offices, sorting centres and headquarters departments) to adopt a virtuous approach to energy. This has also involved the introduction of technologies designed to reduce waste (the installation of timers, the monitoring of consumption on Saturday and Sunday, measurement at the sites where energy consumption is highest, the correct setting of temperatures and time-settings for cooling and heating systems).

With regard to energy efficiency initiatives, Poste Italiane, together with another four partners, has qualified for the subsidies provided for 4.1.1.1 projects financed under the European Regional Development Fund Operational Programme for Sicily 2007-2013, with its Energy Efficiency and Maintenance Control Room project. This project aims to develop e prototype control room designed to improve energy management and property maintenance techniques, by developing an application that will identify appropriate methods for increasing energy efficiency and reducing the overall impact on the environment. The scope of the project also includes the equipment used by maintenance providers and support for decision-making related to energy.

The project is in progress, with approximately 50% of the activities assigned to Poste Italiane completed as of 31 December 2014.

In terms of means of transport, the Company has for some years now used a growing number of low environmental impact vehicles. In 2014, the Company employed 2,800 vehicles using alternative fuels (electricity and natural gas) and preparations began for renewal of the fleet, with the aim of introducing, by 2015, vehicles capable of cutting pollution, consumption and CO_2 emissions with respect to those previously in use. Environmental certification of the Area Logistics Office for Central Area 1, where an Environmental Management System (EMS) meeting UNI EN ISO 14001 standards has been in use since 2010, was also renewed.

The Mobility Management project continued. This aims to develop commuter programmes based on environmental and economic sustainability, thereby benefitting workers, the community and the Company. This has resulted in the following: commuter programmes for the 28 sites with over 300 staff; special agreements negotiated on behalf of the Group's employees, enabling them to purchase annual season tickets for local public transport (in four cities) at reduced rates and in instalments; a car-sharing service (in three cities); and, from early 2015, the availability of changing rooms, at the central headquarters, for staff who come to work by bicycle or who go jogging. An eco-driving training programme has also been launched, providing a series of recommendations regarding vehicles and driving techniques, with the aim of cutting CO_2 emissions.

The “Charter of Environmental Values”, drawn up in 2010, forms part of the Company’s approach, promoting a sustainable development model among all the people who work for Group companies on a long- or short-term basis, with the aim of raising awareness of the impact that our everyday actions have on the environment.

All of the Poste Italiane Group's initiatives and the results achieved in connection with economic, social and environmental sustainability are described in the Company's annual Sustainability Report.

10.3 ADDITIONAL INFORMATION

Related party transactions

With particular reference to the management of postal current account services and postal savings deposits, the principal transactions conducted by the Group relate to its shareholder, the Ministry of the Economy and Finance, and to Cassa Depositi e Prestiti SpA.

Details of all the Poste Italiane Group's and the Parent Company's related party transactions are provided in Poste Italiane's financial statements (3.5 – Related party transactions and 4.4 – Related party transactions), which, together with the Report on Operations, form a further section of the Annual Report.

Statement of reconciliation of profit and Equity

The statement of reconciliation of the Parent Company's profit/(loss) for the period and equity with the consolidated amounts at 31 December 2014, compared with the statement at 31 December 2013, is included in Poste Italiane's financial statements (3.3 - Notes to the financial statements - Equity - B1 Share capital).

11. BANCOPOSTA RFC MANAGEMENT REVIEW

11.1 BANCOPOSTA RFC CORPORATE GOVERNANCE

The resolution to appropriate, in compliance with the law, the capital funds needed for BancoPosta RFC's operations, was approved at the Extraordinary General Meeting of 14 April 2011. BancoPosta RFC's regulation governing the organisation, management and control of BancoPosta's operations were approved at the same Meeting. BancoPosta RFC's regulation also established operating and accounting procedures consistent with the ring-fencing of BancoPosta RFC and the nature of the relationship between BancoPosta RFC and Poste Italiane SpA's other functions. With effect from 2 May 2011, BancoPosta RFC's assets and liabilities are, for all intents and purposes, unbundled from those of Poste Italiane and or from those of any other ring-fenced entity that may be established in the future.
Whilst awaiting completion of the process of complying with the new supervisory standards for BancoPosta issued by the Bank of Italy on 27 May 2014 (described below in the section, "Regulatory environment"), BancoPosta RFC's organisation and management consists of multiple bodies and officers, which are ranked by their vested powers: the Board of Directors, the Chief Executive Officer, the Head of BancoPosta and the Cross-functional Committee.

The Board of Directors is responsible for strategic supervision, in addition to the exercise of those duties, which pursuant to the law, cannot be delegated:

- determination of strategic policy;
- adoption and amendment of business and finance plans;
- approval of risk management guidelines;
- assessment of the adequacy of organisational, administrative and accounting arrangements and approval of internal procedures and guidelines;
- assessment of the suitability, efficiency and effectiveness of the internal control system through evaluation, at least once a year, of the reports provided by the Compliance, Internal Audit and Risk Management Departments;
- appointment of the Head of Compliance;
- determination and regular reviews of strategic guidelines and risk management policies regarding money-laundering and the financing of terrorism.

The Chairwoman of the Board of Directors performs those functions required of her by the Company By-laws.
Normally each month, the Directors dedicate a separate section of their Board meetings to a review of all transactions and matters of importance to BancoPosta RFC's operations, performance and outlook.

As noted above, on 27 May 2014 the Bank of Italy issued a revision of the Supervisory Standards that, with reference to Bancoposta's activities, have established all-encompassing prudential regulations governing all the relevant aspects for supervisory purposes. These include regulations regarding capital adequacy and risk containment, corporate governance and the system of internal controls.
With regard to corporate governance, the new Standards require BancoPosta to apply the prudential regulations for banks (Part One, Title IV, Chapter I "Corporate governance" of Circular 285 of 17 December 2013). The regulations require preparation and revision of a corporate governance code, describing the provisions in the By-laws and the internal organisational structure. The code must be approved by the body responsible for strategic supervision (being, under a so-called traditional management and control model, the Board of Directors), in agreement with the oversight body (under the traditional model, the Board of Statutory Auditors) and, if required, submitted to the Bank of Italy.

BancoPosta RFC's operations are the responsibility of Poste Italiane's Chief Executive Officer who has been provided with all powers needed to implement strategic policies and manage BancoPosta's operations.
The Chief Executive Officer proposes the appointment of a Head of BancoPosta to the Board of Directors with the CEO being responsible for the delegation and revocation of the requisite powers.
Subject to the powers delegated to the Head of BancoPosta, the Chief Executive Officer directs:

- BancoPosta to assure the market competitiveness of its banking and financial services through planned growth consistent with corporate strategy and in compliance with the regulatory framework;
- other Poste Italiane business and staff functions which, depending on their areas of responsibility, are involved in the operations of BancoPosta;
- the Cross-functional Committee, which has powers to advise and make recommendations and provides the interface between BancoPosta and other corporate functions involved in BancoPosta's operations in accordance with their areas of responsibility.

The Chief Executive Officer, in agreement with the Board of Directors and consultation with the Board of Statutory Auditors, appoints and dismisses the heads of the Risk Management, Internal Auditing and Prevention of Money-laundering functions.
Responsibility for the implementation of the strategies approved by the Board of Directors has been delegated by the Chief Executive Officer to the Head of BancoPosta, who is also responsible for:

- the exercise all delegated powers as required by the Chief Executive Officer;
- the recommendation of matters to be placed on the Cross-functional Committee's meeting agenda and the relevant corporate functions to be invited in addition to meeting minutes;
- the development and review of specific internal procedures on service levels with other corporate units.

The Head of BancoPosta is required to attend meetings of the Board of Directors of Poste Italiane whenever the Chief Executive Officer places issues of importance to BancoPosta's ring-fenced capital on the agenda.

BancoPosta's operations are regulated by the "BancoPosta Organisational and Operational Guidelines", the revised version of which was approved by the Board of Directors at its meeting of 25 September 2013, with the Board of Statutory Auditors' agreement. The document governs BancoPosta's processes and responsibilities in support of risk management, control and compliance activities, in addition to improving financial services in terms of efficiency and adding value for the final customer.
The Cross-functional Committee is presided by the Chief Executive Officer. Its permanent members are the Head of BancoPosta, and other function heads as specifically appointed to provide advice and make recommendations and to coordinate BancoPosta's operations with those of other corporate functions. The Committee's work is guided by separate "BancoPosta Interdivisional Committee Guidelines" which were approved by the Board of Directors on 26 October 2011 with the prior consent of the Board of Statutory Auditors. The Committee meets monthly.
The BancoPosta Interdivisional Committee Guidelines broadly address:

- the Committee's functions;
- the manner of convening meetings and the agenda;
- the formalisation of the decisions of Committee meetings;
- amendment of the Guidelines.

The Chief Executive Officer is responsible for the implementation of the Committee's decisions by the relevant Poste Italiane function.
The shareholder deliberates the Board of Directors' proposed profit appropriations, including those for BancoPosta, at the annual general meeting held for the approval of Poste Italiane's financial statements.

Poste Italiane's Board of Statutory Auditors, which was also designated to serve as Supervisory Board in 2012 pursuant to Legislative Decree 231 of 8 June 2001, and the independent auditors retained to audit Poste Italiane's accounts also provide oversight and audit services to BancoPosta RFC, as required by the relevant regulation.
In particular, the Board of Statutory Auditors, taking into account the particular nature of BancoPosta RFC's operations and ensuring the necessary separation of controls, both formal and otherwise, verifies compliance with the law and the Company By-laws, adherence to correct governance principles and the adequacy of the organisational structure and administrative and accounting systems and of BancoPosta RFC's internal control systems.
The Board of Statutory Auditors ascertains the overall effectiveness of the internal control system, including its coordination with all relevant departments and units, and provides recommendations for the correction of any weaknesses and irregularities. The Board of Statutory Auditors also oversees the adequacy of the risk management system particularly with respect to the systems used to determine capital adequacy. Its work on the propriety of operations includes the ascertainment and investigation of any operational irregularities, shortcomings of accounting processes and organisational arrangements and the follow-up of action taken by the Company to eliminate weaknesses.
In addition to using BancoPosta RFC's control structure (Risk Management, Internal Auditing, Compliance, and the Prevention of Money Laundering), the Board of Statutory Auditors also avails itself of Poste Italiane's control functions thus facilitating ongoing dialogue and exchange of information. This close relationship enables the Board to opine on the appointment of the heads of BancoPosta RFC's control functions and the determination of the essential elements of the system of internal controls.

11.2 BANCOPOSTA'S SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT

11.2.1 SYSTEM OF INTERNAL CONTROLS

The system of internal controls consists of a body of rules, procedures and organisational structures, which aim to prevent or limit the consequences of unexpected events, enable the achievement of strategic and operating objectives and compliance with the relevant laws and regulations, and ensure the fairness and transparency of internal and external reporting.

The most important aspect of the system is the control environment in which employees work that includes integrity and other corporate ethical values, organisational structure, allocation and exercise of authorities and responsibilities, separation of duties, staff management and incentive policies, staff expertise and, more in general, corporate culture.
BancoPosta's control environment is evidenced by:

- the Group Code of Ethics;
- implementation of the Legislative Decree 231/01 Organisational Model and related corporate procedures;
- organisational structure of BancoPosta as reflected in organisational charts, service orders, organisational notices and procedures, which determine the work and responsibilities of corporate units;
- General Operating Guidelines which, in implementation of the BancoPosta RFC's regulation, identify, and regulate the activities of various Poste Italiane's units acting on behalf of BancoPosta in addition to valuing such services;
- the system for delegating powers to function heads in accordance with their responsibilities.

As a result of BancoPosta's separation from Poste Italiane, the Organisation Model requires:

- the existence of an interface between BancoPosta internal staff units (e.g., Accountancy and Control) and those of Poste Italiane;
- establishment of autonomous and independent control functions in compliance with Bank of Italy supervisory requirements: Compliance, Risk Management, Anti-Money Laundering and Internal Auditing. The risk assessment techniques, methods, controls and, periodic audit findings are shared amongst control units to promote synergies and take advantage of specific skills;
- provision of support by other Poste Italiane functions consistent with the General Operating Guidelines.

BancoPosta's system of internal controls also involves other units with varying roles and responsibilities.

In compliance with the regulatory requirements contained in the Bank of Italy's Supervisory Standards and the CONSOB regulation (Resolution 17297 of 28 April 2010) relating to controls to which BancoPosta is subject, in early 2015 BancoPosta's Internal Auditing function prepared its Annual Report for 2014, the purpose of which is to provide information to the various corporate bodies on the completeness, adequacy, functionality and reliability of the overall system of controls, with specific regard to information systems and the control processes, procedures and mechanisms applied in the oversight of BancoPosta's activities. The Report was prepared on the basis of the findings of the audit activities carried out by the function and set out in the Audit Plan for 2014.
The audits were in part performed with reference to the findings of Poste Italiane's Internal Auditing function, which is responsible, in accordance with the operation schedule of the General Operating Guidelines, for the IT audit and

the audit of the units and distribution channels within Poste Italiane's network involved in BancoPosta processes and products.

The Annual Report for 2014, presented to BancoPosta's Cross-functional Committee, the Board of Statutory Auditors and the Board of Directors, will subsequently be submitted to the Bank of Italy. The specific section regarding investment services will be submitted to the CONSOB.

Internal Auditing also drew up the Annual (2015) and Multi-year (2015 - 2017) Audit Plan, based on a risk assessment process designed to ensure adequate coverage of BancoPosta's Business Process Model, including operational and financial risks, changing aspects of the business, regulatory issues and BancoPosta RFC's organisational structures. This Plan will also be presented to the Board of Statutory Auditors and submitted for the attention of the Board of Directors.

11.2.2 RISK MANAGEMENT SYSTEM

Risks and controls

The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities are described below:

- credit risk (including counterparty risk);
- market risk (including banking book rate risk);
- concentration risk;
- liquidity risk;
- operational risk.

Risks are to varying extents measured and controlled by a number of specialist risk monitoring functions employing approaches and models specific to their relevant area of responsibility, whose assets have differing maturity profiles.

As one of Poste Italiane's internal control functions, BancoPosta's Risk Management function is responsible for controlling operational and financial risks. It consequently provides a detailed evaluation of the risk profile of financial products sold to customers and provides the operational and business functions involved in product development and placement with advice and support. It is, furthermore, engaged in periodic reporting.

During 2014, the Risk Management function proceeded with preparations for the upcoming application of the new Supervisory Standards issued by the Bank of Italy on 27 May 2014, with particular regard to prudential supervisory regulations (in force from 31 December 2014). In particular:

- a new ICAAP[41] report was prepared, with a view to presenting the process used to assess BancoPosta RFC's capital adequacy in relation to significant risks. Following approval by the Board of Directors on 1 July 2014, the report was sent to the Bank of Italy;
- BancoPosta RFC's Risk Appetite Framework was approved by the Board of Directors on 16 December 2014;
- a new quarterly report (the "Tableau de Bord") was presented to the Board of Directors at the same meeting of 16 December, setting out the metrics included in the Risk Appetite Framework;
- the Poste Italiane Group's Fair Value Policy to be applied in determining the value of the financial instruments held was approved by the Board of Directors on 16 December 2014.

In terms of the evolution of significant risks, the year saw a further significant increase in the value of Italian government securities, resulting in substantial gains resulting from the measurement of the securities held. These were partially recognised in profit or loss as part of a strategy of reducing the average duration of investments.

The market situation, combined with the trend in deposits and investments, has meant that banking book interest rate risk has progressively declined, falling to its lowest ever level at the end of 2014.

[41] "ICAAP", or Internal Capital Adequacy Assessment Process, relates to self-assessment and the adequacy of capital to absorb risk.

The Basel 3 leverage ratio declined progressively over the year, in line with the increased value of assets, primarily due to the increase in the value of the government securities held. The partial appropriation of profit for the year to retained earnings has also led to an increase in this indicator.

Poste Italiane SpA's financial statements, “7. BancoPosta RFC, Separate Report for the year ended 31 December 2014”, set out the details of the various areas of risk and the methods used for their measurement and prevention.

11.3 BANCOPOSTA RFC FINANCIAL REVIEW

Key performance indicators for the year ended 31 December [*]	2013	2014
ROA [1]	0.70%	0.77%
ROE [2]	23%	24%
Net interest income / Net interest and other banking income [3]	28%	28%
Operating expenses / Net interest and other banking income [4]	88%	87%

[*] The key income ratios normally used reflect the unique nature of BancoPosta RFC and the fact that payments to Poste Italiane in reimbursement of costs are classified as "administrative expenses". The absolute amounts of the ratios are, consequently, irrelevant and should not be used for market comparisons but for analyses over time.

[1] Represents the ratio of profit for the period and total assets.

[2] Represents the ratio of profit for the period and equity after deducting profit for the period and the valuation reserves.

[3] Represents the contribution from net interest income as a ratio of net interest and other banking income.

[4] Cost/income ratio.

11.3.1 OPERATING RESULTS

KEY PERFOMANCE INDICATORS

RECLASSIFIED INCOME STATEMENT

for the year ended 31 December (€m)			Increase/(decrease)	
Income/(expense)	**2013**	**2014**	**Amount**	**%**
Net interest income	1,524	1,539	15	1.0
Net fee and commission income	3,519	3,512	(7)	(0.2)
Net interest and other banking income	5,354	5,434	80	1.5
Net income from banking activities	5,345	5,434	89	1.7
Operating expenses	(4,718)	(4,743)	(25)	0.5
Income/(loss) before tax from continuing operations	627	691	64	10.2
Income/(loss) after tax from continuing operations	(253)	(251)	2	(0.8)
Profit/(loss) for the year	**374**	**440**	**66**	**17.6**

Despite the market environment remaining difficult, the positive operating performance for the year has resulted in a profit of €440 million (€374 million in 2013).

Taking a closer look, net interest income of €1,539 million (€1,524 million in the previous year) is the difference between:

- interest earned primarily on investments in government securities and deposits at the MEF, amounting to €1,662 million (€1,751 million in 2013);
- interest expense of €123 million (€227 million in the previous year), including €94 million paid to current and term deposit account holders (€185 million in 2013) and €29 million (€42 million in 2013) payable to major financial institutions acting as counterparties in repurchase agreements.

The reduction in interest expense payable to private customers, generated by the progressive reduction of the promotional rate paid on new deposits, has more than offset the fall in the return on the deposit of amounts deposited by public sector customers with the MEF (the rate of interest received has fallen from 2.61% at 31 December 2013 to 1.34% at 31 December 2014), resulting in an improvement in net interest income.

Net fee and commission income is substantially in line with the previous year (€3,512 million in 2014, compared with €3,519 million in 2013) and includes:

- fee and commission income of €3,561 million (€3,564 million in 2013), including €1,640 million generated by operations covered by the agreement with Cassa Depositi e Prestiti (€1,620 million in 2013), €1,129 million from the processing of bills paid by payment slip and sundry payments (€1,152 million in 2013) and €792 million (also €792 million in 2013) from other services offered to customers (e.g. insurance broking);
- fees and commissions paid, amounting to €49 million (€45 million in 2013), primarily relating to debit/credit card clearing services.

In addition to the above improvements in net interest income and net fee and commission income, net interest and other banking income of €5,434 million (€5,354 million in 2013) has benefitted from the profit on trading of approximately €2 million and gains on the sale of available-for-sale financial assets, totalling €381 million (€287 million in 2013).

OPERATING EXPENSES

			Increase/(decrease)	
for the year ended 31 December (€m)	**2013**	**2014**	**Amount**	**%**
Administrative expenses:	4,615	4,693	78	1.7
a) personnel expenses	*88*	*91*	3	3.4
b) other administrative expenses	*4,527*	*4,602*	75	1.7
Net provisions for risks and charges	82	31	(51)	(62.2)
Other operating income/(expenses)	21	19	(2)	(9.5)
Total operating expenses	**4,718**	**4,743**	**25**	**0.5**

Operating expenses are up 0.5% from €4,718 million in 2013 to €4,743 million in 2014, primarily reflecting an increase in other administrative expenses, which are up from €4,615 million in 2013 to €4,693 million in 2014. These expenses include €4,500 million (€4,424 million in the previous year) in transfer payments to other Poste Italiane functions in accordance with the General Operating Guidelines and in application of specific internal guidelines. The above figures also include the cost to BancoPosta of using the commercial network, amounting to €4,083 million, up €59 million on the previous year (€4,024 million in 2013).

Personnel expenses of €91 million (€88 million in 2013) are for BancoPosta employees. As part of its operations and in accordance with the General Operating Guidelines and in application of the attached internal guidelines, BancoPosta RFC is, however, the recipient of services provided by Poste Italiane functions, particularly post office and Contact Centre personnel.

BANCOPOSTA EMPLOYEES

Average number of employees for the year ended 31 December (*)

	2013	2014
Executives	46	47
Middle managers (A1, A2)	416	438
Grades B, C, D, E, F	1,320	1,339
Total permanent employees	**1,782**	**1,824**

(*) Expressed in full-time equivalent terms.

Income before tax from continuing operations of €691 million (€627 million in 2013) includes net provisions for risks and charges, totalling €31 million (€82 million in 2013). The figure for net losses and recoveries on loans and advances benefits from recoveries of approximately €9 million, which have offset impairment losses on current account overdrafts (€6 million) and on operating receivables (€3 million).

11.3.2 ASSETS, LIABILITIES AND CASH FLOW

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

at 31 December (€m)

Assets	**2013**	**2014**
Cash and cash equivalents	3,078	2,878
Available-for-sale financial assets	24,421	28,807
Held-to-maturity financial assets	15,221	14,100
Due from banks	376	917
Due from customers	8,356	8,494
Hedging derivatives	32	49
Tax assets	271	230
Other assets	1,350	1,495
Total assets	**53,105**	**56,970**

at 31 December (€m)

Liabilities and equity	**2013**	**2014**
Due to banks	3,484	5,551
Due to customers	43,998	42,567
Hedging derivatives	471	1,720
Tax liabilities	439	924
Other liabilities	1,870	1,973
Employee termination benefits	18	20
Provisions for risks and charges	348	358
Total liabilities	**50,628**	**53,113**
Equity	**2,477**	**3,857**
of which:		
Initial reserve	*1,000*	*1,000*
Retained earnings	*599*	*799*
Valuation reserves	*504*	*1,618*
Profit for the year	*374*	*440*
Total liabilities and equity	**53,105**	**56,970**

With regard to the financial position, cash and cash equivalents amount to €2,878 million at 31 December 2014 (€3,078 million at the end of 2013). This item includes €2,760 million (€2,604 million at 31 December 2013) in cash on hand at post offices and cash in transit services deriving from postal current account balances, postal savings products (Interest Bearing Postal Certificates and Postal Savings Books deposits) not yet deposited at Cassa Depositi e Prestiti, or advances collected from the State Treasury to finance post office operations. The line item also includes demand deposits at Central Banks of €118 million (€474 million at 31 December 2013).

Available-for-sale financial assets amount to €28,807 million, marking an increase of 18% compared with the €24,421 million of the end of 2013, essentially due to positive movements in the fair value of securities held (Italian government securities and, to a lesser extent, shares in Mastercard and Visa).

Held-to-maturity financial assets, consisting of consist of fixed payment or fixed maturity debt securities, amount to €14,100 million, marking a reduction on the previous year (€15,221 million at 31 December 2013), primarily due to the redemption of matured securities, totalling €1,206 million.
Amounts due to customers are up from the €8,356 million of 31 December 2013 to €8,494 million at 31 December 2014. They include €5,467 million (€5,078 million at 31 December 2013) in amounts deposited by Public Sector customers and held at the MEF, which, under a specific agreement with the MEF, earn a variable rate of return, calculated on a basket of government bonds and money market indices. A further agreement with the MEF for treasury services also includes a provision that a percentage of funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts private customer deposits.
These deposits were remunerated at a variable rate calculated on the basis of the ECB's Main Refinancing Operations (MRO)[42] rate until 30 November 2014 and, from 1 December 2014, at the Euro OverNight Index Average (EONIA)[43] rate. The amount deposited at 31 December 2014 totals €934 million (€529 million at 31 December 2013).

The amount due to banks, totalling €5,551 million (€3,484 million at 31 December 2013), primarily regards repurchase agreements amounting to €5,231 million (€3,193 million at 31 December 2013) connected with the three-year loan of an original amount of €2.5 billion, obtained in February 2012 under the Long-term Refinancing Operation (LTRO) arranged by the ECB. Interest on this loan was payable at the refinancing operations rate (REFI), plus a spread negotiated with the counterparty. The proceeds from the loans were invested entirely in Italian government bonds with the same nominal amount, with a view to bringing forward the rollover of BancoPosta's maturing investments.
Further LTROs, totalling €1,862 million, and repurchase agreements, amounting to €860 million, were entered into with primary financial institutions during the year.

The amount due to customers, totalling €43,998 million at the end of December 2013, has fallen to €42,567 million at 31 December 2014. This regards current account deposits of €40,012 million (€40,081 million at 31 December 2013) and repurchase agreements relating to a loan obtained in February 2012 from CassaDepositi e Prestiti, with interest payable at the REFI rate, plus a spread negotiated with the counterparty, totalling €409 million (€1,730 million at 31 December 2013). The reduction reflects repayment of the second instalment falling due in August and early repayment of a portion of the third instalment falling due in February 2015.
Among other liabilities, hedging derivatives have increased from €471 million at 31 December 2013 to €1,720 million, reflecting movements in fair value.

Real estate services (e.g., use and management of office space for BancoPosta's operations) and technology services (e.g., the design and implementation of new services, the development and maintenance of operations and business software) are provided to BancoPosta RFC by Poste Italiane SpA. In this regard, among other things, capital expenditure during the first half focused on creation of a new Card Management System, capable of handling a high number of cards and large volumes of transactions.
The provision of these services is regulated by internal operating guidelines and remunerated through the payment by BancoPosta RFC of transfer prices to Poste Italiane.

[42] The minimum rate applied by the European Central Bank in its most recent main refinancing operation or the uniform rate should the ECB apply such a rate in these operations.
[43] The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).

BancoPosta RFC's equity at 31 December 2014 amounts to €3,857 million (€2,477 million at the end of 2013). In addition to the initial reserve of €1 billion, it includes retained earnings of €799 million, the positive movement in the fair value reserve for investments in available-for-sale financial assets, totalling €1,618 million, and profit for the year of €440 million.

11.4 BANCOPOSTA RFC'S OPERATIONS FOR THE PERIOD

REGULATORY ENVIRONMENT

As noted above in the section on corporate governance, on 27 May 2014 the Bank of Italy issued its third revision of Circular 285 of 17 December 2013, containing new Supervisory Standards for BancoPosta, "Standards for particular intermediaries". This establishes prudential requirements that are substantially in line with those applicable to banks, but with certain adjustments to take into account specific regulatory and operational aspects of Bancoposta.

The issue of new Standards marks the end of a multi-year process of bringing the regulation of Bancoposta and its organisational structure into line with the standards applied to banks. The key steps in this process were the creation of ring-fenced capital attributable solely to BancoPosta's operations (May 2011) and modification, at the end of 2012, of the primary regulatory framework (Presidential Decree 144/2001 governing the operations of Bancoposta).

The main changes in the new Standards concern the application of banking industry regulations, with particular regard to the following areas:

- the organisation and corporate governance, remuneration policies and practices and incentives;
- internal controls, the IT system and business continuity;
- organisational arrangements for the banking activities outsourced under agreements between Bancoposta and the Poste Italiane functions that provide it with services (e.g., the commercial network, IT and finance);
- requirements regarding the distribution network (planned openings and changes to post offices around the country) and the authorisation procedure in the event of the opening of branch offices and the provision of services overseas;
- organisational arrangements for the conduct of off-site promotion, distribution and provision of banking and financial products and services.

Bancoposta RFC applies the regulations for banks in relation to capital adequacy (Basel 3), covering minimum capital requirements (pillar 1), the supervisory review process (pillar 2) and enhanced disclosure (pillar 3).

Self-assessment, conducted by a working group between June and July 2014, of existing arrangements with respect to the new regulatory requirements, has highlighted the need for action to ensure full compliance with the new Supervisory Standards. To this end, a Cross-functional Project, coordinated by the Head of BancoPosta, was set up in September. The Project is the subject of specific periodic reports to the various corporate bodies, and has resulted in preparation of a "Self-assessment Report" on the existing gaps, including the measures to be adopted and the related timing. The Report was approved by the Board of Directors on 16 December 2014 and subsequently submitted to the Bank of Italy.

A Master Plan, covering eleven areas requiring various types of attention, has been drawn up.

With regard to investment services, regulated by the Markets in Financial Instruments Directive (MiFID), work has continued on consolidating and further developing the service model. In this connection, the procedure for classifying customers (retail, professional, eligible counterparties) was implemented, as was the extension of advice services to legal persons.

With regard to banking transparency, as a result of European Parliament and Council Regulation 260/2012 (the Payment Services Directive), which aims to harmonise payment services across Europe, from 1 February 2014 the former domestic bank transfer and direct debit products were replaced by two new services, the SEPA *Credit Transfer* (SCT) and the SEPA *Direct Debit* (SDD), based on a standard format.

The processes and controls involved in the prevention of money laundering and the financing of terrorism have been further strengthened, with all areas susceptible to money laundering affected as part of a structured review of the system; this has resulted in the gradual release of new components. In particular, the main initiatives to date have involved continuation of the process for acquiring the information needed for "Adequate Checks" and the rollout of the new IT platform to help in the process of flagging potentially suspect transactions and in automatically blocking post office transactions at a high risk of money laundering (cash, bank transfers, money transfers), to be subjected to enhanced checks and eventually to an authorisation process.

COMMERCIAL OFFERING

During 2014, BancoPosta RFC's commercial offering was focused on cross-selling and attracting new current account deposits. In the private current account segment, the *Conto BancoPosta Più* offering has been expanded through the introduction of new promotions: customers purchasing a *Postaprotezione SiCura* and/or a *Postaprotezione Infortuni* insurance policy or purchasing PosteMobile products have had their annual current account fee cut to zero.
The *Conto BancoPosta In Proprio* offering for SMEs was restyled. Customers who retain a minimum balance on their account each month and purchase or use a certain number of products (collection and payment or loans and insurance) receive a reduction in their account charges.
A number of initiatives have also been taken to attract new deposits and consolidate the market positioning of online current accounts. These regard:

- the launch of "*Promozione 1,75%*", offering an annual rate of 1.75% gross until 31 December 2014 for all new customers opening a *Conto BancoPosta Più* or *Conto BancoPosta Click* account by 30 June 2014, whilst existing *BancoPosta Click* customers have been offered an annual rate of 0.75% gross until 30 June 2014;
- three different rates were offered for amounts deposited in term accounts as part of the "*Opzione SorpRende*" service, which allows customers to earn a higher return than usual if they deposit their money for a longer period; this option was also extended to *In Proprio* current accounts for SMEs.

The electronic money sector, in which the Group is present with its Postamat Maestro card (6.9 million cards at 31 December 2014 and 6.8 million cards at 31 December 2013) and Postepay card (12.2 million cards at 31 December 2014, compared with 10.5 million cards at 31 December 2013), saw the expansion of contactless debit card technology to both cards in the Tuscany region (after Lombardy and Lazio, where distribution was completed in 2013), and to the *Postamat Click MasterCard* debit card throughout the country.
The new Postepay card, *Postepay Evolution*, was launched in 2014. In addition to having all the usual functions of a standard Postepay card, the new card, which will be equipped with an IBAN, will enable holders to carry out the principal banking transactions (to pay in their salaries, effect transfers and post office giro transactions and pay their bills by direct debit) and to use an App to top up their cards with small amounts free of charge from other Postepay accounts (up to €25 a day). The new card, which will belong to the international MasterCard system, will support the United Nations' World Food Programme (WFP) in collaboration with MasterCard and will be the first card in the world to give customers the chance to make a donation to the WFP each time they use their card.

In connection with the *La Carta dello Studente – IoStudio* promotion sponsored by the Ministry of Education, Universities and Research (MIUR), involving the distribution of electronic ID cards incorporating a number of payment functions to students, during the first half around 600,000 cards for secondary school students were produced and sent to school administrative offices.
Around 26.3 million top-ups were made using the external top-up channel for Postepay cards, comprising around 40 thousand SISAL betting shops, around 16 thousand tobacconists linked up to the Banca ITB network, and the home banking service provided by the BPM Group and other authorised networks in 2014 (21.6 million in 2013).

In the collections and payments segment, the process of extending the payment of bills using payment slips in supermarkets continued and a Payment Slip for the payment of the new property tax (TASI) was created as an alternative to form F24. Furthermore, from October 2014 new functions were added to the *Bollettino postale* (Payment Slip) product, enabling invoicers to electronically check unpaid bills and payments received in real time. Again with regard to collections and payments, in June the new version of the "*Fattura noproblem*" service, which manages the issue of bills to Public Sector entities in compliance with the relevant regulations on behalf of BancoPosta current account customers, was released.
The POS acquiring services for SMEs include the Mobile POS service, the marketing of which was extended to the entire post office network during the year. The introductory promotional offer, enabling customers to buy a card reader at a reduced price, was also prolonged. The service is aimed at small and micro businesses, enabling them to use a smartphone or tablet to manage credit and debit card payments by using a special app and a bluetooth card reader.
The holders of PagoBancomat cards can now top up their mobile phones or their Postepay cards at a Postamat ATM and the process of extending the number of post offices at which bills can be paid by payment slip using a Visa or Mastercard debit or credit card was completed.
In terms of loan products for private customers, numerous low interest rate promotions were run and the terms and conditions applicable to a number of products were revised. In particular, the offer of *Specialcash Postepay* and *Prontissimo BancoPosta* personal loan products was extended to include the holders of the new *Postepay Evolution* card, with the loans credited to their card and repayments being debited directly to the card. The range of *Quinto BancoPosta* salary loans was extended, with the addition of both a product for Poste Italiane employees, enabling them to obtain loans worth up to two-fifths of their salary, and one for INPS pensioners and Poste Italiane employees, giving them the possibility to obtain a new BancoPosta salary loan to replace a previous one obtained from any other bank. The *Mutuo BancoPosta* product (mortgage loans) was repriced in order to improve its competitiveness.
With regard to the distribution and management of Postal Savings products, 2014 saw changes to the range of Interest-bearing Postal Certificates (BFPs), with the issue of certain products being halted (the 3-year *BFP Fedeltà*, *BFPRisparmiNuovi*, *BFPRenditalia*, *BFP7insieme*) to be replaced by new certificates (e.g., *BFP3x4Fedeltà*, for customers redeeming at maturity certificates or bonds distributed exclusively by Poste Italiane; *Buono BFP3x4RisparmiNuovi*, aimed exclusively at savers desiring to top up their investments). In addition, the "*risparmiodisicuro*" plan was launched in April, enabling savers to periodically and automatically subscribe for certain types of certificate (*BFP Europa*, *BFP Diciottomesi*, *BFP 3x4*, *BFP Ordinari* and inflation-linked BFPs).
Turning to Savings Books, promotion of the *Libretto Nominativo Smart* product was extended. This offers a higher rate of interest for qualifying customers (e.g., those who maintain a certain minimum balance on their account) until 30 June 2014, for accounts opened between 1 January 2013 and 30 March 2014, and 31 December 2014, for those opened between 1 April 2014 and 23 June 2014 (the latter promotion was renewed for accounts opened between 24 June 2014 and 28 October 2014). In addition, new functions have been added to the online services linked to the *Libretto Smart* product, enabling account holders to give instructions for: the transfer of funds from bank current accounts; top-ups to their PostePay cards using an App to debit their *Libretto Smart* account, transfers (from a *Libretto Ordinario* to a *Libretto Smart* and vice versa and from a *BancoPosta/BancoPosta Click* current account to a *Libretto Smart* account and vice versa), using the RPOL service or via an App.

In terms of investment services, 2014 saw the issuance of three bonds:

- "*TassoFisso Sprint BancoPosta*", issued by Banca IMI SpA, and
- "*TassoFissoOneStep BancoPosta*", issued by UniCredit SpA, both having 6-year terms to maturity;
- "*TassoFissoOneStep BancoPosta*", issued by Banca IMI, with a term to maturity of 7 years.

With regard to International Money Transfer payment systems, a number initiatives were taken to boost usage of the Moneygram service. These focused on use of a Poste Mobile SIM, based on a promotion launched in February, enabling customers to transfer money to any country in return for a flat fee, and pricing initiatives for money sent from Rome, Milan and Naples. In addition, with regard to Eurogiros, the Eurogiro Cash to Account service for sending money from San Marino to Italy, directly to the recipient's postal current account, was also launched.

Online services

Online home banking services linked to the *BancoPosta* (*BancoPostaOnline*) and *Conto BancoPosta Click* accounts continued to see growth in 2014, with over 1.7 million online consumer accounts (over 1.5 million online consumer accounts active at the end of 2013) and around 257,000 business accounts (around 250,000 at the end of 2013).

Online transactions in the year ended 31 December ('000)	2013	2014	% inc./(dec
Payment of bills by payment slip	5,242	5,715	9.0
Bank transfers	3,525	4,248	20.5
Post office giros	1,520	1,792	17.9
PostePay top-ups	5,126	5,414	5.6
Phone top-ups	4,135	3,728	(9.8)
Tax payments (using the F24 form)	1,511	2,096	38.7
Interest-bearing Postal Certificates	68	53	(22.1)
Other	75	83	10.7
Total	**21,202**	**23,129**	**9.1**

Online customers generated more than 23 million instructions during the year (21 million in 2013). Of the classic internet banking services offered, the *Bollettino* payment slip is the most successful, with 5.7 million online transactions generated in 2014 (up 9% on 2013), followed by PostePay top-ups (up 5.6% on the previous year, with 5.4 million top-ups) and bank transfers which, with over 4.2 million instructions, are up 20.5% on 2013. Post office giro transactions, transferring money between Bancoposta current accounts, totalled approximately 1.8 million (up 17.9% on the previous year).

The number of phone top-ups is down 9.8% from the 4.1 million of 2013 to 3.7 million in 2014. This reflects general market trends, with increased use of social networks as a means of communication and of mobile messaging Apps.

BANCOPOSTA'S OPERATING RESULTS

Revenue (€m) for the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**
Current Accounts	**2,931**	**2,775**	**(5.3)**
Payment of bills by payment slip	567	493	(13.1)
Income from investment of customer deposits	1,753	1,659	(5.4)
Other revenue from current accounts and prepaid cards	611	623	2.0
Money transfers (*)	**63**	**55**	**(12.7)**
Postal savings and investment	**2,004**	**2,040**	**1.8**
Postal Savings Books and Certificates	1,620	1,640	1.2
Government securities	8	6	(25.0)
Equities and bonds	14	3	(78.6)
Insurance policies	329	361	9.7
Investment funds	17	18	5.9
Securities Deposits	16	12	(25.0)
Delegated Services	**130**	**136**	**4.6**
Loan products	**127**	**120**	**(5.5)**
Other products (**)	**71**	**102**	**43.7**
Total revenue from financial services	**5,326**	**5,228**	**(1.8)**
Reconciliation with BancoPosta's Separate Report (***)	**(11)**	**(5)**	**(54.5)**
BancoPosta RFC's interest and fee and commission income	**5,315**	**5,223**	**(1.7)**

(*) This item includes all revenue from domestic and international money orders and inbound and outbound Eurogiros.

(**) This item includes revenue from tax collection forms and tax returns and other Bancoposta revenue.

(***) This item primarily includes income from the investment of own liquidity and certain financial income classified, for the purposes of the Separate Report, in other items in the income statement.

Deposits at 31 December (€m)	**2013**	**2014**	**% inc./(dec.)**
Current accounts (*)	**43,903**	**43,953**	**0.1**
Postal savings books (**)	**106,920**	**114,359**	**7.0**
Interest-bearing postal certificates (**)	**211,707**	**211,333**	**(0.2)**

(*) This refers to the average deposits during the period, including time deposits, repurchase agreements and Poste Italiane's liquidity.

(**) Deposits include accrued interest for the period, calculated on the assumption that all Interest-bearing Postal Certificates arrive at their scheduled maturity date.

Number of transactions ('000) in the year ended 31 December	**2013**	**2014**	**% inc./(dec.)**
Payment slips processed	**457,612**	**428,467**	**(6.4)**
Domestic postal orders	**5,830**	**5,438**	**(6.7)**
International postal orders	**2,642**	**2,215**	**(16.2)**
Inbound	1,460	1,077	(26.2)
Outbound	1,182	1,138	(3.7)
Pensions and other standing orders	**77,865**	**77,135**	**(0.9)**
Tax services	**29,361**	**50,827**	**73.1**

Volumes at 31 December ('000)	**2013**	**2014**	**% inc./(dec.)**
Number of customer current accounts	**6,023**	**6,173**	**2.5**
Number of credit cards	**459**	**457**	**(0.4)**
Number of debit cards	**6,756**	**6,896**	**2.1**
Number of prepaid cards	**10,550**	**12,175**	**15.4**

Revenue generated by BancoPosta RFC's financial services is down from the €5,326 million of 2013 to €5,228 million in 2014 (a decline of 1.8%). This primarily reflects the performance of current accounts, which saw a 5.3% reduction in revenue (€2,775 million in 2014, compared with €2,931 million in 2013). This reflects both a decline in revenue from the payment of bills by payment slip, down 13% from €567 million in 2013 to €493 million in 2014, due to a

decline in the number of bills processed (458 million in 2013, compared with 428 million in 2014), and a 5.4% reduction in revenue from the investment of deposits (€1,659 million in 2014, compared with €1,753 million in 2013), reflecting a reduction in the average rate earned on deposits with the Ministry of the Economy and Finance.
Other revenue from current accounts and prepaid cards is up by approximately €12 million, reflecting an increase in fee revenue on the issue and use of prepaid cards, which amount to 12.2 million at the end of 2014, compared with 10.6 million at the end of 2013.
There was a 12.7% decrease in money transfer revenue (€55 million in 2014, compared with €63 million in 2013), essentially due to falls in the volume of domestic transfers processed (5.4 million transaction in 2014, compared with 5.8 million in 2013) and in the number of international transfers (2.2 million transactions in 2014, compared with 2.6 million in 2013).

The sale of Interest-bearing Postal Certificates and inflows into Postal Savings Books, the income on which is linked to a mechanism agreed with Cassa Depositi e Prestiti SpA tied to the achievement of net savings inflow targets, contributed €1,640 million to revenue (€1,620 million in 2013). In terms of assets under management, savings book deposits amount to €114.4 billion at 31 December 2014 (€106.9 billion at 31 December 2013), whilst savings in the form of Certificates are substantially in line with the figure for 31 December 2013 (€211.3 billion at the end of 2014, compared with €211.7 billion at the end of 2013).

Asset and fund management[44] registered an increase in revenue of 4.2% (€400 million in 2014, compared with €384 million in 2013), generated essentially by growing sales of insurance policies (up 9.7%), which have risen from the €329 million of 2013 to €361 million in 2014. This reflects an 11% increase in premiums written by Poste Vita (€14.7 billion in 2014, compared with €13.2 billion in 2013), with the remaining increase deriving from the positive contribution of commission income from the funds segment, up from €17 million in 2013 to €18 million in 2014.
Equity and bond placement revenue is down 78.6% on 2013 (€3 million in 2014, compared with €14 million in 2013), due to a reduction in the volumes placed (€110 million in 2014, compared with €589 million in 2013).
Delegated service revenue of €136 million (€130 million in 2013) primarily includes commissions received in return for the payment of INPS (National Social Insurance Institute) pensions, totalling €69 million (€63 million in 2013), and commissions earned on the payment of pensions and other sums for the Ministry of the Economy and Finance, totalling €57 million. The decrease in commissions was basically due to the reduction in pensions paid at counters as opposed to current or savings account credits, on which a lower commission is charged than for counter payments.

Revenue from the distribution of loan products[45] is down 5.5% (€120 million in 2014, compared with €127 million in 2013), reflecting a reduction in the amounts disbursed.

Finally, the 43.7% increase in revenue from other products essentially reflects growth in the number of tax payments processed using the F24 form (51million in 2014, compared with 29 million in 2013).

[44] Asset and fund management includes the distribution of government securities, equities, bonds, insurance policies, mutual investment funds and commissions on safe custody accounts.

[45] Personal loans, mortgage loans, overdrafts, salary loans and credit protection.

11.5 BANCOPOSTA RFC EVENTS AFTER 31 DECEMBER 2014

No events of significance occurred after 31 December 2014.

A number of events of minor importance occurring after the end of the reporting period have been described in other sections of the Report.

11.6 OUTLOOK FOR BANCOPOSTA RFC

BancoPosta RFC will, in the private and business current account segment, focus on activities designed to develop the model for its product and service offering, with a view to simplification and adoption of a multi-channel approach. This will involve the combined use of post offices and direct channels in order to further consolidate customer relations. Marketing initiatives will also be implemented to acquire high-value customers and develop the potential of the customer base.

With a view to developing innovative payment systems, international customers will be offered the new *Dynamic Currency Conversion* service at Postamat ATMs, enabling customers wanting to withdraw cash using a non-euro card to check the relevant exchange rate at the time of withdrawal.

In the electronic money segment, new services and functions will be added to Postamat cards. In this regard, the "*Postamat Premium Business*" card for business customers will be launched in collaboration with international issuers (online payments, insurance, a dashboard for managing the use of cards and advanced reporting).

The *Postepay Evolution* product will also be developed for the Business segment, as will an instalment credit card for customers seeking microcredit.

With regard to loans for private customers, the offering will be further extended with the introduction of products designed to meet specific needs (debt consolidation loans, home improvement loans and energy efficiency financing) and provide greater flexibility (repayment holidays, flexible repayments). The online channel for the *Specialcash Postepay* product will be further developed.

With regard to loans for SMEs and freelance professionals, a medium/long-term loan for partnerships and companies and a vehicle leasing product will be launched around the country.

The *Prontissimo Affari* and *Fido Affari* products will also made available to partnerships.

The new agreement between Cassa Depositi e Prestiti and Poste Italiane – Bancoposta RFC, governing the distribution of Postal Savings products during the five-year period 2014-2018, was signed on 4 December 2014. Under the new agreement, the parties have undertaken to achieve the goal of guaranteeing greater stability for Postal Savings and greater consistency in Poste Italiane's annual remuneration.

11.7 OTHER INFORMATION ON BANCOPOSTA RFC

11.7.1 PRINCIPAL PROCEEDINGS AND RELATIONS WITH THE AUTHORITIES

Bank of Italy

During 2014, the Company was served 6 notices of alleged violations of anti-money laundering regulations. In response, the Company submitted a defence brief to the MEF for each of the above notices. At 31 December 2014, there are 31 proceedings pending with MEF, including 26 for failure to report suspect transactions and 5 for violation of the regulations limiting the use of cash and bearer securities.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of Legislative Decree 58/98. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. The Parent Company is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures. Following the regulator's comments, the Company is also looking at further corrective actions as part of a specific project coordinated by BancoPosta, which will focus on the following areas over the course of 2015:

- commercial policies to be adopted in the light of the regulations governing conflicts of interest in the provision of investment services and in the distribution of banking and insurance products;
- the procedures for providing the advice service and changes to the "guided advice" model;
- the model for assessing the suitability of transactions and for customer profiling;
- the procedures used in selecting issuers and in pricing the financial products to be offered to its customers.

AGCM (the Antitrust Authority)

In 2012 the Antitrust Authority notified the initiation of procedure PS/8510 pursuant to art. 27, paragraph 3, Legislative Decree 206/2005 (the Consumer Code) and art. 6 of the "*Regulations governing the investigation of misleading and comparative advertising, unfair commercial practices and unfair contract terms*", and at the same time demanded information pursuant to art. 12, paragraph 1 of the Regulations regarding the "PROMO 4%" promotion for *Bancoposta Più* and *Bancoposta Click* accounts that was made between December 2011 and March 2012. In particular, the Authority challenged the manner with which the terms and conditions of the accounts were advertised and imposed a fine at a reduced rate of €250 thousand, paid on 11 July 2013. Poste Italiane SpA appealed the ruling to the Lazio Regional Administrative Court in September 2013 and, on 4 March 2014, requested that the date of the hearing be brought forward.

On 13 November 2013 the Authority notified Poste Italiane SpA of an investigation (PS/7704) of alleged unfair commercial practices pursuant to Legislative Decree 206/2005. This relates to obstacles and delays allegedly put in place by Poste Italiane in not responding promptly to requests from customers to close their current accounts.
Poste Italiane responded to the Authority's requests for information, and gave the commitments provided for in art. 27, paragraph 7 of the Consumer Code, with the aim of avoiding a fine, provided that the Authority deems the commitments to be valid.

On 1 August 2014 the Authority closed the investigation without imposing a fine, having accepted the commitments submitted by Poste Italiane.

On 19 February 2014 the Authority launched an investigation (I/773) into whether or not the interbank fee of €0.10, introduced in January 2014 by the BANCOMAT Consortium (to which Poste Italiane belongs) in return for provision of the Bill Payment service (the payment of bills or commercial invoices using a *PagoBancomat* ATM card), represents an anti-competitive agreement. Whilst not being directly involved in the investigation, the Company took part in a hearing held by the Authority following a request for information.
On 11 July 2014, the Authority published the commitments submitted by the BANCOMAT Consortium on its website in order to enable third parties to comment. The commitments, submitted in accordance with art. 14-*ter* of Law 287/90, substantially consist in a reduction of the fee in question from €0.10 to €0.07 per transaction. The Authority closed its investigation with the issue of ruling 25162 of 28 October 2014, which has rendered the commitments mandatory.

On 1 August 2014, the Authority launched an investigation (PS/8998) of the alleged violation of articles 20, 21 and 22 of the Consumer Code (misleading and comparative advertising) in connection with the "*Specialcash postepay*" personal loan.
A defence brief was prepared, including a response to the requests for information made by the Authority at the time it began the investigation. On 22 September 2014, Poste Italiane submitted commitments designed to resolve the alleged violations indicated by the Authority and bring about the closure of the investigation without imposition of a fine.
On 4 November 2014, the Authority sent a request for further information, to which a response was made on 21 November 2014. At the same time, the Company submitted revised commitments, which are currently being assessed by the Authority.

Italian Data Protection Authority

During 2014, the Company was notified of 6 rulings regarding data protection for which the Authority, having completed its investigation, declared that there was "no need to give a decision", in any event requiring Poste Italiane to pay costs.

11.7.2 FURTHER INFORMATION

Related party transactions

The principal transactions conducted by BancoPosta RFC regard the Ministry of the Economy and Finance and Cassa Depositi e Prestiti, with particular reference to postal savings and other Poste Italiane services.
Detailed information on transactions between BancoPosta and its related parties is provided in Poste Italiane's financial statements (7. BancoPosta RFC's Separate Report for the year ended 31 December 2014, Part H of the notes).

Separate financial statements

Poste Italiane SpA's financial statements include separate BancoPosta financial statements in compliance with art. 2, paragraph 17-*undecies* of Law 10 converting Legislative Decree 225 of 29 December 2010, requiring separate disclosure of BancoPosta's ring-fenced assets and liabilities.

Intersegment transactions

Intersegment transactions between BancoPosta and Poste Italiane functions, which have not been included, are set out in Poste Italiane's financial statements (7. BancoPosta RFC's Separate Report for the year ended 31 December 2014, Part A.1, Section 4 of the notes, "Other information").

12. BOARD OF DIRECTORS' PROPOSALS TO THE SHAREHOLDER

The Board of Directors proposes that the General Meeting:

- approve the financial statements of Poste Italiane SpA for the year ended 31 December 2014, consisting of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in Equity, the statement of cash flows and the notes (including BancoPosta RFC's Separate Report), accompanied by the Directors' Report on Operations;
- appropriate €439,664,565 in profit attributable to BancoPosta RFC's net profit for the year as follows:
  - a.1) €150,000,000 to retained earnings attributable to BancoPosta RFC;
  - a.2) €289,664,565 at the Company's disposal;

and as a result,

- to take comprehensive income of €56,892,290 to retained earnings.

APPENDIX – KEY PERFORMANCE INDICATORS FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

The figures shown in the tables below reflect the financial and operational indicators (as deduced from the related reporting packages) of the principal Group companies, prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the boards of directors of the respective companies.

POSTEL SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	237.209	209.015	(28.194)	(11,9)
Operating profit/(loss)	8.643	3.364	(5.279)	(61,1)
Profit/(loss) for the year	4.320	146	(4.174)	(96,6)
Investment	13.087	10.098	(2.989)	(22,8)
Equity	135.815	134.716	(1.099)	(0,8)
Permanent workforce - end of period	1.078	1.069	(9)	(0,8)
Flexible workforce - average	22	24	2	9,1

POSTELPRINT SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	116.759	108.899	(7.860)	(6,7)
Operating profit/(loss)	1.932	696	(1.236)	(64,0)
Profit/(loss) for the year	1.861	322	(1.539)	(82,7)
Investment	411	471	60	14,6
Equity	38.833	39.087	254	0,7
Permanent workforce - end of period	226	135	(91)	(40,3)
Flexible workforce - average	3	1	(2)	(66,7)

SDA EXPRESS COURIER SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	477.521	511.140	33.619	7,0
Operating profit/(loss)	(27.316)	(21.066)	6.250	(22,9)
Profit/(loss) for the year	(20.445)	(21.273)	(828)	4,0
Investment	2.870	5.114	2.244	78,2
Equity	23.236	784	(22.452)	(96,6)
Permanent workforce - end of period	1.396	1.397	1	n/s
Flexible workforce - average	99	170	71	71,7

n/s: not significant

ITALIA LOGISTICA SRL			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	67.301	69.054	1.753	2,6
Operating profit/(loss)	564	(4.023)	(4.587)	n/s
Profit/(loss) for the year	53	(5.496)	(5.549)	n/s
Investment	590	1.416	826	n/s
Equity	428	(4.129)	(4.557)	n/s
Permanent workforce - end of period	65	64	(1)	(1,5)
Flexible workforce - average	18	17	(1)	(4,4)

n/s: not significant

POSTE TUTELA SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	86.404	86.472	68	0,1
Operating profit/(loss)	1.677	1.311	(366)	(21,8)
Profit/(loss) for the year	1.140	902	(238)	(20,9)
Investment	59	160	101	n/s
Equity	11.525	12.401	876	7,6
Permanent workforce - end of period	11	13	2	18,2

n/s: not significant

POSTECOM SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	117.027	91.394	(25.633)	(21,9)
Operating profit/(loss)	6.139	525	(5.614)	(91,4)
Profit/(loss) for the year	4.530	(1.035)	(5.565)	n/s
Investment	10.314	10.978	664	6,4
Equity	52.057	50.815	(1.242)	(2,4)
Permanent workforce - end of period	358	351	(7)	(2,0)
Flexible workforce - average	12	8	(4)	(33,3)

n/s: not significant

EUROPA GESTIONI IMMOBILIARI SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	17.528	15.779	(1.749)	(10,0)
Operating profit/(loss)	(4.062)	1.205	5.267	n/s
Profit/(loss) for the year	(3.662)	45	3.707	n/s
Investment	447	956	509	n/s
Equity (*)	437.820	362.857	(74.963)	(17,1)
Permanent workforce - end of period	15	17	2	13,3
Flexible workforce - average	1	-	(1)	n/s

(*) The company paid dividends totalling €75 million during the year.

n/s: not significant

POSTESHOP SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	28.576	23.000	(5.576)	(19,5)
Operating profit/(loss)	326	(12.070)	(12.396)	n/s
Profit/(loss) for the year	46	(12.544)	(12.590)	n/s
Investment	208	12	(196)	(94,2)
Equity	4.851	(7.752)	(12.603)	n/s
Permanent workforce - end of period	45	47	2	4,0
Flexible workforce - average	2	1	(1)	(50,0)

n/s: not significant

MISTRAL AIR SRL			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	102.611	130.780	28.169	27,5
Operating profit/(loss)	(10.635)	(2.502)	8.133	(76,5)
Profit/(loss) for the year	(7.429)	(2.495)	4.934	(66,4)
Investment	19	269	250	n/s
Equity (*)	(3.276)	3.998	7.274	n/s
Permanent workforce - end of period	134	163	29	21,6
Flexible workforce - average	40	50	10	25,0

(*) Equity includes the recapitalisation of €9,909 thousand completed by the Parent Company during the year.

n/s: not significant

POSTE ENERGIA SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Revenue from sales and services	82.793	87.696	4.903	5,9
Operating profit/(loss)	295	2.488	2.193	n/s
Profit/(loss) for the year	168	1.458	1.290	n/s
Investment	11	-	(11)	n/s
Equity	1.332	2.780	1.448	n/s
Permanent workforce - end of period	13	18	5	38,5

n/s: not significant

BANCOPOSTA FONDI SPA SGR			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Fee income	43.723	48.880	5.157	11,8
Net fee income	25.104	28.816	3.712	14,8
Profit/(loss) for the year	11.054	14.092	3.038	27,5
Financial assets (liquidity and securities)	98.392	67.891	(30.501)	(31,0)
Equity (*)	95.807	60.274	(35.533)	(37,1)
Permanent workforce - end of period	50	55	5	10,0
Flexible workforce - average	2	-	(2)	n/s

(*) The company paid dividends totalling €50 million during the year.

n/s: not significant

BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENTRALE SPA			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Net interest income	21.075	43.699	22.624	n/s
Net fee and commission income	35.448	41.070	5.622	15,9
Profit/(loss) for the year	11.597	37.562	25.965	n/s
Financial assets	1.312.142	2.273.506	961.364	73,3
Equity (*)	157.987	426.747	268.760	n/s
Permanent workforce - end of period	263	268	5	1,9
Flexible workforce - average	14	16	2	14,3

(*) Equity includes the impact of new shares issued, totalling €232,000 thousand, subscribed entirely by the Parent Company.

n/s: not significant

POSTE VITA SPA (*)			Increase/(decrease)	
(€000)	2013	2014	Amount	%
Insurance premium revenue (**)	13.175.182	15.429.881	2.254.699	17,1
Profit/(loss) for the year	253.692	350.157	96.465	38,0
Financial assets	69.569.369	89.983.564	20.414.195	29,3
Technical provisions for insurance business	67.943.338	87.129.449	19.186.111	28,2
Equity (***)	2.711.541	3.052.208	340.667	12,6
Permanent workforce - end of period	257	279	22	8,6
Flexible workforce - average	12	12	-	-

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared under Italian GAAP and in accordance with the Italian Civil Code.

(**) Insurance premium revenue is reported gross of outward reinsurance premiums.

(***) The company paid dividends totalling €80 million during the year.

POSTE ASSICURA SPA [*] (€000)	2013	2014	Increase/(decrease) Amount	%
Insurance premium revenue [**]	68.025	86.388	18.363	27,0
Profit/(loss) for the year	5.501	7.254	1.753	31,9
Financial assets	85.764	117.013	31.249	36,4
Technical provisions for insurance business	61.648	89.774	28.126	45,6
Equity	42.173	54.813	12.640	30,0
Permanent workforce - end of period	49	52	3	6,1
Flexible workforce - average	2	4	2	n/s

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared under Italian GAAP and in accordance with the Italian Civil Code.

(**) Insurance premium revenue is reported gross of outward reinsurance premiums.

n/s: not significant

POSTEMOBILE SPA (€000)	2013	2014	Increase/(decrease) Amount	%
Revenue from sales and services	335.903	325.290	(10.613)	(3,2)
Operating profit/(loss)	25.444	13.651	(11.793)	(46,3)
Profit/(loss) for the year	15.755	7.760	(7.995)	(50,7)
Investment	43.395	56.127	12.732	29,3
Equity [*]	95.415	72.660	(22.755)	(23,8)
Permanent workforce - end of period	328	326	(2)	(0,6)
Flexible workforce - average	16	5	(11)	(68,8)

(*) The company paid dividends totalling €30 million during the year.

GLOSSARY

Business Process Outsourcing: the outsourcing of a business process to an external supplier who becomes responsible for its management, on the basis of pre-defined rules and measurement criteria.

Business to Business (also B2B): trading between companies.

Business to Consumer (also B2C): online transactions between companies and final consumers.

Buy and Hold: is a long-term investment strategy entailing low turnover of securities in a portfolio (normally they are held to maturity). Consequently, investors aim to obtain returns from purchased securities that are affected as little as possible by price fluctuations and short-term volatility.

Cash trapping: this involves the insertion of a device into note-dispensing slots that temporarily capture notes inside the ATM.

COBIT (Control Objectives for Information and related Technology): a model for managing IT created by ISACA (Information Systems Audit and Control Association) in America and the ITGI (IT Governance Institute), with the aim of setting international standards for assessing and improving the governance of information systems.

Crowdfunding: a popular form of funding that consists in raising funds, generally via the internet, in order to finance various types of project (e.g., humanitarian aid, business innovation, scientific research).

Distribution centres: physical sites serving their local area, carrying out the basic delivery service, internal handling, support services for the transport network, other external activities not directly linked to distribution and, on occasion, other high-value-added services.

e-Government (electronic government): the computerisation of Public Sector processes, enabling documents to be processed and managed in digital format, by using information and communication technologies to optimise the work of public bodies, and offering customers (the general public and companies) faster services, as well as new services via, for example, the websites of the Government agencies concerned.

Gamma Free: a range of non-universal services covering the shipment and delivery of signed-for mail prepared by the customer using special pre-franked packaging purchased at post offices or from other authorised vendors. Gamma Free includes the following services: Postafree, which regards items of up to 2 kg to be delivered within 3 to 5 working days; Paccofree, regarding items of up to 30 kg to be delivered within 1 to 2 working days.

InfoSec (Information Security): this is the application of security measures designed to defend information processed, stored or transmitted by communications or information systems, or by other electronic systems, from the loss of confidentiality, integrity or availability, whether accidental or intentional, and to prevent the loss of integrity and availability of information systems themselves. InfoSec measures include computer security and the identification, documentation and neutralisation of threats to information and systems.

INS (Integrated Notification Service): this is a range of services for managing the whole notification process for administrative and legal process and registered mail with advice of receipt.

International Post Corporation (IPC): a cooperative specialised in the development of operational and commercial projects for postal services, the objective of which is to improve quality of service.

Long Term Evolution (LTE): indicates the latest standard for mobile telephony. It represents the new generation of Mobile Broadband Wireless Access and forms part of the pre-4G segment, in an intermediate position between 3G technologies, such as UMTS, and 4G technologies.

Mailstop: the service that enables customers to use a post office as their mailing address, where they can receive and collect any mail.

Malware: a term derived from the English words "malicious" and "software". This is a form of software designed to sidestep authentication systems and steal the confidential data of customers who access online services.

Phishing: an attempt to criminally and fraudulently obtain confidential information by masquerading as a trustworthy entity in an electronic communication.

Posta Easy: a service offering a wide range of processes in preparation for mailing, such as, for example, franking, the preparation and packaging of mail, printing, enveloping, cellophane wrapping and the supply of consumables.

Posta Pick-up: a service involving the door-to-door collection of mail and parcels.

Postatarget: a collection of services designed for the delivery of customized, addressed advertising and promotional material.

PostaZone: a collection of delivery services for sending and distributing unaddressed mail containing commercial information, advertising, promotional material or information.

Quantitative easing: an unconventional form of expansionary monetary policy, which involves central banks in increasing the money supply by purchasing financial assets, for the most part government securities, from commercial banks. The effect is comparable to the "creation of money".

Reverse Logistics: services typically relating to items which, once delivered, may be returned to the sender (e.g., items returned for technical assistance or which must be replaced).

Storage: this is the process of saving information for long periods of time using IT systems capable of guaranteeing coherence and consistency, regardless of the manner in which the individual systems operate.

UCITS (*Undertakings for Collective Investment in Transferable Securities*): this acronym refers to the EU Directive governing the distribution in member states of UCIs domiciled in one of those states. A UCITS complies with EU law regarding three principal aspects: it is subject to the same rules in every EU country, and is thus freely distributable in Europe; it may invest in numerous financial instruments, provided that they are provided for by law; it contains restrictions on investments with the aim of protecting investors.

Financial statements for the year ended 31 December 2014

POSTE ITALIANE'S FINANCIAL STATEMENTS:

CONSOLIDATED and SEPARATE FINANCIAL STATEMENTS OF POSTE ITALIANE SPA for the year ended 31 December 2014

1. INTRODUCTION

Poste Italiane SpA (the "Parent Company") is the company formed following conversion of the former public sector entity, "Poste Italiane", under Resolution 244 of 18 December 1997 passed by the Inter-ministerial Economic Planning Committee. The Company is a wholly owned subsidiary of the Ministry of the Economy and Finance (the "MEF") and has its registered office at Viale Europa 190, Rome (Italy).Poste Italiane SpA is a listed issuer. As part of its Euro Medium Term Note (EMTN) programme, in 2013 the Company issued two tranches of bonds listed on the Luxembourg Stock Exchange with a total nominal value of €800 million and a nominal value of €100.000 each.

In May 2014 the subsidiary, Poste Vita SpA, issued subordinated bonds listed on the Luxembourg Stock Exchange. The bonds have a total nominal value of €750 million and a nominal value of €100,000 each.

The Poste Italiane Group provides a universal postal service in Italy, as well as offering integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 13,000 post offices. The Group manages its business in terms of four operating segments: Postal and Business services, Financial services, Insurance services, and Other services. Postal and Business services include mail, express delivery, logistics, parcels and philately, in addition to the activities performed by the various structures of Poste Italiane SpA in favour of the Other sectors in which the Group operates. Financial services primarily regard the activities of BancoPosta (as listed in art. 2 of Presidential Decree 144 of 14 March 2001), which are managed as a segregated portfolio within Poste Italiane SpA; these include the collection of all forms savings deposits from the public, the provision of payment services, foreign currency exchange, the promotion and arrangement of loans issued by banks and other authorised financial institutions, and the provision of investment services. Insurance services are provided by the subsidiary, Poste Vita SpA, which operates in ministerial life assurance Branches I, III and V, and the subsidiary, Poste Assicura, which operates in non-life insurance. Other services include the activities carried out by PosteMobile SpA and Consorzio per i servizi di telefonia Mobile ScpA.

This section of the Annual Report for the year ended 31 December 2014 includes the consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA, to which BancoPosta RFC's Separate Report is attached. Disclosure regarding matters common both to the Group and to Poste Italiane SpA is provided only once, in sections relevant to both sets of statements; unless otherwise indicated, the contents of these sections apply to both consolidated and separate financial statements. In particular, common disclosure notes are provided in relation to the following topics:

- Accounting policies, measurement criteria and estimation methods adopted pursuant to IAS 1 (notes from 2.1 to 2.5);
- Financial risk, pursuant to IFRS 7 (note 5);
- Proceedings pending and relations with the authorities (note 6).

Note 7 provides details of BancoPosta RFC's Separate Report, which forms an integral part of Poste Italiane SpA's financial statements, but is prepared in accordance with the specific financial reporting rules laid down by the applicable banking regulations.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA (also, the annual accounts) refer to the year ended 31 December 2014 and have been prepared in euros, the currency of the economy in which the Group operates.

The Group's consolidated financial statements consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income[1], the statement of changes in equity, the statement of cash flows and the notes to the financial statements. All amounts in the consolidated financial statements and the notes are shown in thousands of euros, unless otherwise stated.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros, whilst those in the notes are shown in thousands of euros, unless otherwise stated.

2.1 BASIS OF PREPARATION

The annual accounts are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and endorsed by the European Union ("EU") in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC", previously known as the Standing Interpretations Committee or "SIC"), adopted by the European Union and contained in the EU regulations published as of 23 March 2014, the date on which the Board of Directors of Poste Italiane SpA approved the annual accounts.

The accounting policies described below reflect the fact that the Group and Poste Italiane SpA will remain fully operational in the foreseeable future, in accordance with the going concern assumption, and are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2013.

The statement of financial position has been prepared on the basis of the current/non-current distinction[2]. In the statement of profit or loss, expenses are classified according to their nature. The indirect method[3] has been applied in preparation of the statement of cash flows.

In preparing the annual accounts, the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 have been taken into account.

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[1] The statement of comprehensive income shows "Profit/(loss) for the year" and "Other comprehensive income" recognised directly in equity. The latter includes, but is not limited to, actuarial gains/(losses) from defined benefit plans (employee termination benefits and pensions plans), unrealised gains/(losses) on available-for-sale financial assets and the effective portion of cash flow hedges. This Statement includes items that will be reclassified to profit or loss and items that will not.

[2] Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (IAS 1 (Revised), paragraph 68).

[3] Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

In accordance with CONSOB Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the statement of cash flows show amounts deriving from related party transactions. The statement of profit or loss also shows, where applicable, income and expenses deriving from material non-recurring transactions, or transactions that occur infrequently in the normal course of business. Given the diverse nature and frequency of transactions conducted by Group companies, numerous income and expense items of a non-regular nature may occur with considerable frequency. These items of income and expense are only presented separately when they are both of an exceptional nature and were generated by a materially significant transaction.

In order to allow comparison on a like-for-like basis with amounts for the year ended 31 December 2013, certain items in the statement of cash flows and in the notes have been reclassified.

Pursuant to article 2447-*septies* of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included therein (hereafter: BancoPosta RFC) are shown separately in Poste Italiane SpA's statement of financial position, in a specific supplementary statement, and in the notes to the financial statements.

At the date of approval of these financial statements, there is no established practice on which to base interpretation and application of newly published, or revised, international accounting standards. In addition, guidance regarding certain aspects of taxation[4] and interpretations based on examples of best practice or case-law cannot yet be regarded as exhaustive. These financial statements have, therefore, been prepared on the basis of information currently available and taking account of best practice. Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The Poste Italiane Group's financial statements have been prepared on a historical cost basis, with the exception of certain items for which fair value measurement is obligatory.
The principal accounting policies adopted by the Poste Italiane Group are described below.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. Cost includes any directly attributable costs incurred to prepare the asset for its intended use, and the cost of dismantling and removing the asset to be incurred as a result of legal obligations requiring the asset to be restored to its original condition. Borrowing costs incurred for the acquisition or construction of property, plant and equipment are recognised as an expense in the period in which they are incurred (with the exception of borrowing costs directly attributable to the acquisition or construction of a qualifying asset, which are capitalised as part of the cost of the asset in question). Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the year in which they are incurred. The capitalisation of costs

[4] The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP.

attributable to the extension, modernisation or improvement of assets owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different useful life and value to be recognised separately. The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, based on the asset's expected useful life.

The useful life and residual value of property, plant and equipment are reviewed annually and adjusted, where necessary, at the end of each year. Land is not depreciated. When a depreciable asset consists of separately identifiable components, with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately, in accordance with the component approach, over a period that does not exceed the life of the principal asset.

The Poste Italiane Group has estimated the following useful lives for the various categories of property, plant and equipment:

Category	Years
Buildings	25-33
Structural improvements to own assets	20
Plant	4-10
Light constructions	10
Equipment	5-10
Furniture and fittings	8
Electrical and electronic office equipment	3-10
Motor vehicles, automobiles, motorcycles	4-10
Leasehold improvements	Estimated lease term *
Other assets	3-5

(*)Or the useful life of the improvement if shorter than the estimated lease term

Property and any related fixed plant and machinery located on land held under concession or sub-concession, which is to be returned free of charge to the grantor at the end of the concession term, are accounted for, based on the nature of the asset, within property, plant and equipment and depreciated on a straight-line basis over the shorter of the useful life of the asset and the residual concession term.

Gains and losses deriving from the disposal or retirement of an asset are calculated as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in profit or loss in the period in which the transaction occurs.

Investment property

Investment property relates to land or buildings held with a view to earn rental or lease income or for capital appreciation or both; in both cases such property generates cash flows that are largely independent of other assets. The same accounting treatment is applied to investment property as to property, plant and equipment.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controllable and capable of generating future economic benefits. Intangible assets are recognised at cost, including any directly attributable costs required to prepare the asset for its intended use, less accumulated amortisation and any accumulated impairment losses. Borrowings costs are capitalised as part of the cost of the asset only if directly attributable to its purchase or development; otherwise, they are recognised as an expense in the period in which they are incurred. Amortisation is applied from the date the asset is ready for use, systematically over the remaining useful life of the asset, or its estimated useful life.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the company or business acquired, at the date of acquisition. Goodwill attributable to investments accounted for using the equity method is included in the carrying amount of the equity investment. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment. This test is performed with reference to the cash generating unit ("CGU") to which the goodwill is attributable. An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use [5], calculated as the present value of the future cash flows expected to be derived from the cash generating unit and from its disposal at the end of its useful life. Impairment losses on goodwill cannot be subsequently reversed.

When the impairment resulting from the test is higher than the carrying amount of the goodwill attributed to the cash generating unit, the residual amount is attributed to the assets included in the cash generating unit in proportion to their carrying amounts. The minimum attributable amount is the highest of:

- the related fair value of the asset less costs to sell,
- the related value in use, when determinable, and
- zero.

Industrial patents, intellectual property rights, licences and similar rights

The costs of acquiring industrial patents, intellectual property rights, licences and similar rights are capitalised. Amortisation is applied on a straight-line basis, in order to allocate the purchase cost over the shorter of the expected useful life of the asset and any related contract terms, from the date the Group has the right to use the asset.

Costs associated with developing or maintaining software programmes are recognised in profit or loss in the period in which they are incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Directly attributable costs, to the extent separately identifiable and measurable, include the cost of staff involved in software development and an appropriate portion of the relevant overheads. Research and development costs other than those described above are not capitalised. Amortisation is calculated on the basis of the estimated useful life of the software, which is usually three years.

[5] Value in use is determined based on the method described below in "Impairment of assets".

Leased assets

Assets held under finance leases, where the risks and rewards of ownership are substantially transferred to the lessee, are recognised at fair value or, if lower, at the present value of the minimum lease payments. The corresponding obligation toward the lessor, which is equal to the principal amount of future lease payments, is recognised as a financial liability. Depreciation is calculated on a straight-line basis, based on the useful lives of the various categories of asset previously described for property, plant and equipment and intangible assets.
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Impairment of assets

At the end of each reporting period, property, plant, equipment and intangible assets with finite and indefinite lives are analysed to assess whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment loss to be recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset.
In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money compared to the period of the investment and the risks specific to the asset. The realisable value of assets that do not generate separate cash flows is determined with reference to the CGU to which the asset belongs.
An impairment loss is recognised for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

Investments

In the Poste Italiane Group's consolidated financial statements, investments in subsidiaries that are not significant and are not consolidated and those in companies over which the Group exerts significant influence ("associates") are accounted for using the equity method. See also note 3.2 - Basis of consolidation.

In Poste Italiane SpA's separate financial statements, investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment is recognised in profit or loss as an impairment loss. When an impairment no longer exists, the carrying amount of the asset is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Financial instruments

Financial instruments include financial assets and liabilities that are classified on initial recognition at fair value based on the business purpose for which they were acquired.. The purchase and sale of financial instruments are recognised by category, either on the date on which the Group commits to purchase or sell the asset (trade date or transaction date), or, in the case of the insurance transactions and BancoPosta's operations, at the settlement date[6]. For BancoPosta operations, the settlement date almost always coincides with the transaction date. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

Financial assets

On initial recognition, financial assets are classified in one of the following categories and valued as follows:

- Financial assets at fair value through profit or loss

  This category includes: (a) financial assets held for trading, (b) those that qualify for designation at fair value through profit or loss on initial recognition, or for which the option to measure at fair value can be exercised, and (c) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets in this category are accounted for at fair value and changes during the period of ownership are recognised in profit or loss. Financial instruments in this category are classified as short-term if they are held for trading or if they are expected to be realised within twelve months of the end of the reporting period. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative. Fair value gains and losses on outstanding transactions with the same counterparty are offset, where contractually permitted.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and primarily regard amounts due from customers, including trade receivables. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. These assets are carried at amortised cost[7] using the effective interest rate method. If there is objective evidence of impairment, the asset is written down to the present value of the estimated future cash flows, with such impairment loss being recognised in profit or loss. If in subsequent periods the conditions which led to the impairment no longer exist, the carrying amount of the asset is reinstated on the basis of the value that would have resulted from application of the amortised cost method. The estimation procedure adopted in determining provisions for doubtful debts, or operating revenue to be suspended in the provision, primarily reflects the identification and measurement of elements resulting in specific reductions in the value of individually significant assets. Financial assets with similar risk profiles are subsequently measured collectively, taking account, among other things, of the age of the receivable, the nature of the counterparty, past experience of losses and collections on similar positions and information on the related markets.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and maturities that the Group has a positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, adjusted to reflect any impairment loss. The same policies as described in relation to loans and receivables are applied if there is impairment.

- Available-for-sale financial assets

[6] This is possible for transactions carried out on organised markets (the "regular way").

[7] The amortised cost of a financial asset or liability means the amount recognised initially, less principal repayments and plus or minus accumulated amortisation, using the effective interest method, of the difference between the initial amount and the maturity amount, after reductions for impairment and insolvency. The effective interest rate is the rate that exactly discounts contractual (or expected) future cash payments or receipts over the expected life of the asset or liability to its initial carrying amount. Calculation of amortised cost must also include external costs and income directly attributable to the asset or liability on initial recognition.

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not attributable to any of the other categories described above. These financial instruments are recognised at fair value and any resulting fair value gains or losses are recognised in an equity reserve, with movements in such reserve being accounted for in "Other components of comprehensive income" (the "Fair value reserve). This reserve is only recycled to profit or loss when the financial asset is effectively disposed of (or settled) or, in the event of accumulated losses, when there is evidence that the impairment recognised in equity cannot be recovered. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after the impairment loss was recognised in profit or loss, the value of the financial instrument is reinstated and the reversal recognised in profit or loss. The recognition of returns on debt securities under the amortised cost method takes place through profit or loss, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific equity reserve, with movements in the reserve accounted for in "Other components of comprehensive income". The classification of an asset as current or non-current depends on the term to maturity of the financial instrument. Financial instruments expected to be realised within twelve months of the end of the reporting period are, in any event, classified as current assets.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred.

Financial liabilities

Financial liabilities, including borrowings, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied.
Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.
Financial liabilities are derecognised when settled or when all the related risks and rewards have been substantially transferred.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is executed and if they do not qualify for hedge accounting treatment, gains and losses arising from changes in fair value are accounted for in profit or loss for the period.
If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below.

The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and throughout the term of the hedge. Derivatives are initially recognised at their fair value. If derivatives qualify as hedges, subsequent changes in fair value are recognised in the manner described below.

- Fair value hedges[8]

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in profit or loss for the period.

IAS 39 allows the designation of a cash amount, representing a group of financial assets and liabilities (or portions thereof) as the hedged item in such a way that a group of derivative instruments may be used to reduce exposure to fair value interest rate risk (a so-called macro hedge). Macro hedges cannot be used for net amounts deriving from differences between assets and liabilities. Like micro hedges, macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by IAS 39.

- Cash flow hedges[9]

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in "Other comprehensive income" (the "Cash flow hedge reserve"). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period.

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

Classification of receivables and payables attributable to BancoPosta RFC

Receivables and payables attributable to BancoPosta RFC are treated as financial assets and liabilities if related to BancoPosta's typical deposit-taking and lending activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 272 of 30 July 2008 – The Account Matrix, are accounted for in trade receivables and payables.

Own use exemption

In certain cases, the standards establishing the principles for the recognition and measurement of financial instruments are also applied to derivative contracts to buy or sell non-financial items that are settled net in cash or in

[8] A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.

[9] A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

another financial instrument, with the exception of contracts entered into, and that continue to be held, for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (the own use exemption).
This exemption applies to the recognition and measurement of forward electricity contracts entered into by the subsidiary, Poste Energia SpA, if the following conditions have been met:

- the contract involves the physical supply of a commodity;
- the entity has not entered into an offsetting contract;
- the transaction must be entered into in accordance with expected purchase and/or sale or usage requirements.

In the event of application of the own use exemption, the commitments assumed are reported in note 3.6.

Income tax expense

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference is controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future (IAS 12.39 and 12.40). In accordance with IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity. Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same taxpaying entity, which has the legally exercisable right to offset the amounts recognised, and the entity has the intention of exercising this right. As a result, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against related assets deriving from withholding tax or advances paid.
The Group's tax expense and related accounting treatment reflect the effects of Poste Italiane SpA, together with the subsidiaries Poste Vita SpA, SDA Express Courier SpA and Mistral Air Srl., having elected to adopt a tax consolidation arrangement, in accordance with relevant legislation. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid.
Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. From 2013, following the adoption of new tax consolidation rules, the economic benefits deriving from the offset of tax losses transferred to the

consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA.
Other taxes not related to income are included in other operating costs.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of interchangeable items and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable items, cost is measured on the basis of the specific cost of the item at the time of purchase.
The value of the inventories is adjusted, if necessary, by provisions for obsolete or slow moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the end of the reporting period. Assets are not, however, recognised in the statement of financial position when the Group has incurred an expense that, based on the best information available at the date of preparation of the financial statements, is deemed unlikely to generate economic benefits for the Group after the end of the reporting period.
In the case of properties held for sale[10], cost is represented by the fair value of each asset at the date of acquisition, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.
Long-term contract work is measured using the percentage of completion method, using cost to cost accounting[11].

Green Certificates (Emission Allowances)

With reference to Group companies subject to these rules[12], Green Certificates (or Emission Allowances) are a means of reducing greenhouse gas emissions, introduced into Italian and European legislation by the Kyoto Protocol with the aim of improving the technologies used in the production of energy and in industrial processes.
The European Emissions Trading Scheme, which works on the basis of the cap and trade principle, has capped annual greenhouse gas emissions at European level. This corresponds to the issue, free of charge, of a set number of emission allowances by the competent national authorities. During the year, depending on the effective volume of greenhouse gas emissions produced with respect to the above cap, each company has the option of selling or purchasing emission allowances on the market.
In compliance with the requirements of the *OIC* (the Italian accounting standards setter) regarding "Greenhouse gas emissions allowances", in addition to being best practice for the principal IAS *adopters*, the accounting treatment is as follows.
The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment is accounted for in the memorandum accounts based on the fair value of the emission allowances at the time of allocation. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Other information", in the Annual Report. The purchase and sale of emission allowances are accounted for in profit or loss in the year in which the transaction occurs. At the

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[10] These are properties held by EGI SpA and not accounted for in "Investment property" as they were purchased for sale or subsequently reclassified as held for sale.

[11] This method is based on the ratio of costs incurred as of a given date divided by the estimated total project cost. The resulting percentage is then applied to estimated total revenue, obtaining the value to be attributed to the contract work completed and accrued revenue at the given date.

[12] The subsidiary, Mistral Air Srl.

end of the year, any surplus emission allowances deriving from purchases are accounted for in closing inventory at the lower of cost and net realisable value. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory. In the event of a shortfall in emission allowances the resulting charge and related liability are accounted for at the end of the year at fair value.

Cash and deposits attributable to BancoPosta

Cash and securities held at post offices, and bank deposits attributable to the operations of BancoPosta, are accounted for separately from cash and cash equivalents as they derive from deposits subject to investment restrictions, or from advances from the Italian Treasury to ensure that post offices can operate. This cash cannot be used for purposes other than those relating to the aforementioned operations.

Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2014 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less. Current account overdrafts are accounted for in current liabilities.

Non-current assets held for sale

This category refers to non-current assets or assets included in disposal groups where the carrying amount is to be recovered primarily through a sale transaction rather than through continued use. Assets held for sale are accounted for at the lower of the net carrying amount and fair value less costs to sell. When a depreciable asset is reclassified to this category, the depreciation process is halted at the date of the reclassification.

Equity

Share capital

Share capital is represented by Poste Italiane SpA's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

Reserves

Reserves include capital and revenue reserves. They include, the BancoPosta ring fenced capital reserve (hereafter "BancoPosta RFC"), representing the dedicated assets initially attributed to Bancoposta BancoPosta RFC, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period.

Retained earnings

This relates to the portion of profit for the period and for previous periods which has not been distributed or taken to reserves or used to cover losses and actuarial gains and losses deriving from the calculation of the liability for employee termination benefits. This item also includes transfers from other equity reserves, when they have been released from the restrictions to which they were subjected.

Insurance contracts

The following policies and classification and measurement criteria refer specifically to the operations of the Poste Italiane Group's insurance companies.

Insurance contracts are classified and measured as insurance contracts or finance contracts, based on their prevalent features. Contracts issued by Poste Vita SpA primarily relate to life assurance. In 2010 Poste Assicura SpA began operating in the non-life sector.

The Group applies the following bases for classification and measurement of these contracts:

Insurance contracts

Insurance products include Branch I and V life assurance policies, in addition to index-linked policies that qualify as insurance contracts. These products are accounted for as follows:

- insurance premiums are accounted for when the policies are written, recognised as income and classified in revenue; they include annual or single premiums accruing during the period and deriving from insurance contracts outstanding at the end of the reporting period, net of cancellations;
- technical provisions are made in respect of earned premiums to cover obligations to policyholders; such provisions are calculated on an analytical basis for each contract using the prospective method, based on actuarial assumptions appropriate to cover all outstanding obligations. Changes in technical provisions and the cost of claims are recognised as expenses in profit or loss.

Contracts for separately managed accounts with discretionary participation features

Although classified as financial contracts, contracts for separately managed accounts with discretionary participation features[13] are accounted for in compliance with the requirements of IFRS 4, in accordance with the rules for insurance contracts. As a result:

- premiums, changes in technical provisions and the cost of claims are recognised in the same way as the insurance contracts described above;
- unrealised gains and losses attributable to policyholders are assigned to them and recognised in technical provisions (deferred liabilities payable to policyholders) under the shadow accounting method (IFRS 4.30).

The calculation technique used in applying the shadow accounting method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio. The amount to be recognised as a deferred liability also takes account, for each separately managed account, of the contractual obligations, the level of guaranteed minimum returns and any financial guarantees provided.

Investment contracts not linked to separately managed accounts

Investment contracts (a type of contract not currently present) which are not related to separately managed accounts, and which include a portion of "linked" contracts, are accounted for in accordance with IAS 39, as follows:

- technical provisions are recognised as financial liabilities and are measured at fair value, whilst the related financial instruments are accounted for as assets;

[13] A contractual right of investors to receive returns on the assets under management.

- premiums and changes in technical provisions are not recognised in income, but rather, only fees and commissions are recorded as revenue, and commissions and other charges are recorded as cost. IAS 18 and IAS 39 require revenue and costs associated with the contracts to be allocated over the contract term, based on the service supplied.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur.
Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability.
In those rare cases, in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

Employee benefits

Short-term benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

Post-employment benefits

Post-employment benefits are of two types: defined benefit plans and defined contribution plans. Since, for defined benefit plans, the amount of benefits payable can only be determined subsequent to the cessation of employment, the related cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19. Under defined contribution plans, contributions payable are recognised in profit or loss when incurred, based on the nominal value.

- Defined benefit plans

  Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code:

  - For all companies with at least 50 employees, covered by the reform of supplementary pension provision, from 1 January 2007 vesting employee termination benefits must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006[14].

[14] Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Group has remained liable to pay the benefits until 30 June 2007, or until the date,

- In the case of companies with less than 50 employees, to which the reform of supplementary pension provision does not apply, vested employee termination benefits continue to represent a defined benefit liability for the company.

The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries.

The calculation takes account of termination benefits accrued for the period of service to date and is based on actuarial assumptions. These primarily regard: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in other comprehensive income at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions.

Defined benefit plans also include supplementary pension plans guaranteeing members and their surviving spouses pensions in addition to those managed by INPS to the extent of and in accordance with the conditions provided for in specific regulations covered by the collective labour contract and legislation. The initial recognition and subsequent measurement of such plans are consistent with the valuation of the TFR described above. Measurement of the liability recognised in the financial statements is based on calculations performed by independent actuaries.

- Defined contribution plans

  Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

Termination benefits

Termination benefits payable to employees are recognised as a liability when the entity decides to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employee benefits

Other long-term employee benefits consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. Generally, there is not the same degree of uncertainty regarding the measurement of other long-term employee benefits as there is in relation to post-employment benefits. As a result, IAS 19 permits use of a simplified method of accounting: the net change in the value of the liability during

between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

the reporting period is recognised in full in profit or loss. Measurement of the other long-term employee benefits liability is recognised in the financial statements based on calculations performed by independent actuaries.

Translation of items denominated in currencies other than the euro

Transactions in currencies other than the euro are translated to euro using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in currencies other than the euro are recognised in profit or loss.

Revenue recognition

Revenue is recognised at the fair value of the consideration received, net of rebates and discounts, and in accordance with the accruals basis of accounting. Revenue from the rendering of services is recognised when it can be reliably measured on the basis of the stage of completion of the service provided. Revenue from activities carried out in favour of or on behalf of the state and public sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

The return on the current account deposits held by the MEF is determined using the effective interest method and is recognised as revenue based on its characteristics. The same classification is applied to income from euro area government securities, in which deposits paid into accounts by private customers are invested. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Government grants

Government grants are recognised once they have been formally allocated to the Group by the public entity concerned and only if, based on the information available at the end of the year, there is reasonable assurance that the project to which the grant relates will be effectively carried out and completed in accordance with the conditions attached to the grant. Government grants are recognised in profit or loss as other operating income as follows: grants related to income are recognised in proportion to the costs actually incurred for the project and accounted for to the public entity; grants related to property, plant and equipment are recognised in proportion to the depreciation charged on the assets acquired and used to carry out the projects and whose cost have been accounted for to the public entity.

Finance income and costs

Finance income and costs are recognised on an accruals basis based on the effective interest method, i.e. using an interest rate that discounts all cash flows relating to a given operation in the same way.

Dividends

Dividends are recognised as finance income when the right to receive payment is established, which generally corresponds with approval of the distribution by the Shareholders Meeting of the investee company. Dividends from subsidiaries are accounted for as "Other operating income".

Earnings per share

In the Poste Italiane Group's consolidated financial statements, earnings per share is determined as follows:

Basic: basic earnings per share is calculated by dividing the Group's profit for the year by the weighted average number of Poste Italiane SpA's ordinary shares in issue during the period.

Diluted: at the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics[15].

Related parties

Related parties within the Group refer to Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and those entities, including joint ventures, controlled by the MEF, and associates of such entities. The Group's key management personnel are also classified as related parties. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

2.3 USE OF ESTIMATES

Preparation of the annual accounts requires the application of accounting standards and methods that are at times based on complex subjective judgments and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements and related disclosures. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.

This section provides a description of accounting treatments that require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Group's financial statements.

[15] Diluted earnings per share are calculated by taking into account the dilutive effect of all instruments which can be potentially converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.

Revenue and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

Whilst awaiting renewal of agreements between Poste Italiane SpA and the Ministry for Economic Development, as in 2013, the Company provided the universal postal service throughout the year in accordance with the survival-of-terms provision contained in the expired *Contratto di Programma* (Planning Agreement) for 2009-2011; the amount payable by the Ministry of the Economy and Finances, in partial compensation of the costs incurred, has been reviewed to take account of public funding foreseen by relevant legislation, as provided for in article 1, paragraph 274 of the 2015 Stability Law (Law 190 of 23 December 2014).

Whilst awaiting renewal of the agreement between Poste Italiane SpA and the tax authorities, the Parent Company has continued to provide the related delegated services. Revenue recognition has been based on the tariffs established in the previous agreements, which it is reasonable to expect will be confirmed in the new agreement, or on lower tariffs based on recent negotiations with the relevant public sector entity.

At 31 December 2014 receivables due to the Parent Company from the MEF and the Cabinet Office amounted to over €1.4 billion. This amount consists of:

- Receivables in excess of €1,087 million relating to universal service compensation, of which: €336 million for 2014 (of which approximately €59 million not funded in the state budget), €343 million for 2013, €400 million for 2012 and 2011 (of which approximately €78 not funded in the state budget) and €8 million for 2005 (following budget cuts imposed by legislation in 2007 and 2008). In accordance with the above-mentioned 2015 Stability Law (Law 190/2014), the sums in question will be paid to the extent of the funds available under current legislation, without prejudice to the results of AGCom's assessment of the net cost incurred by Poste Italiane SpA[16]. In any case, collection may only occur after finalisation of the Planning Agreement for the five-year period 2015-2019 – which, as provided for in the 2015 Stability Law, is due to take place by 31 March 2015 – and clearance by the European Commission in relation to public subsidies.
- Receivables of approximately €103 million in the form of publisher tariff subsidies. Of this amount, approximately €101 million in subsidies for the years from 2001 to 2007 are to be received in instalments in accordance with a specific Cabinet Office Decree, which has established that collection is to take place during the period to 2016 in equal annual instalments. These receivables have been accounted for at present value. A further sum of approximately €2 million for 2008 and 2009 has not yet been funded by the state budget.
- Further receivables of approximately €223 million due from the MEF, in relation to payment of interest on the Parent Company's mandatory deposits with the MEF, for the provision of treasury services, for electoral subsidies and for the distribution of euro converters. No provision has been made in the state budget for approximately €6 million of these items and payment of approximately €6 million has been suspended whilst awaiting specific measures.

In summary, of the total €1.4 billion receivable (nominal value), no provision has been made in the state budget in relation to approximately €153 million and collection of approximately €1,049 million has been deferred or suspended.

[16] To this end, see note A7.3 of chapter 3 and note A7.4 of chapter 4 – *Due from the MEF*

The long outstanding nature of these receivables means that Poste Italiane SpA has to finance significant levels of working capital, with negative related impacts on cash flow management and costs. It is not currently possible to forecast exactly how and when the receivables will be paid by the various public sector entities. Without prejudice to the Parent Company's full entitlement and related rights, the provisions for doubtful debts due from the MEF at 31 December 2014 reflect the Group's best estimate of the circumstances and the financial impact of this situation.

In past years, changes to relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing profit or loss. In view of the circumstances described above, management cannot exclude the possibility that, as a result of future legislation or the negotiations currently underway, the operating results for reporting periods after the year ended 31 December 2014 will reflect changes to these estimates.

Provisions for risks and charges

The Group makes provisions for probable liabilities deriving from disputes with staff, suppliers, and third parties and, in general, for liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action relating to labour disputes over fixed-term contracts, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.
Determination of the provisions involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Goodwill

Goodwill, including goodwill arising on consolidation is tested annually to assess whether or not it has suffered any impairment to be recognised in profit or loss.

The test involves the allocation of goodwill to the various cash generating units and the subsequent measurement of the related fair value. If the resulting fair value is lower than the carrying amount of the cash generating unit, it is necessary to reduce the value of goodwill allocated to the unit. The allocation of goodwill to cash generating units and the measurement of their fair value involves the use of estimates based on factors that may change over time, affecting the analyses performed.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment (see below).

Measurement of other non-current assets

Non-current assets are tested for impairment to determine whether, as a result of events or changes in circumstances, the carrying amount may not be recoverable and should, therefore, be written down. This exercise requires the use of subjective judgments based on information available within the Group and in the market, and on historical experience. When impairment is recognised, the extent of the impairment is calculated using appropriate measurement techniques. The identification of impairment indicators and the estimates used in the calculation of impairment are linked to factors that may change over time, with a resulting impact on the measurements performed. The current economic and financial crisis - which has resulted in highly volatile markets and great uncertainty with regard to economic projections - and the decline of the postal market in which the Group operates, make it is difficult to produce forecasts that can, with certainty, be defined as reliable. In this context, and with due regard to the Group's 2015-2019 business plan and the ongoing crisis in the postal sector and property market, the value of the Postal and Business services segment as at 31 December 2014 was measured separately to determine a range of fair values with which to compare the carrying amount of net invested capital. The fair value of the Postal and Business services segment was determined by ascertaining the existence of any assets whose use is not reflected in the operating results projected in the 2015-2019 business plan, or whose value is not embodied in the carrying amount of net invested capital. The transfer prices – currently under review – that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's network were also analysed. To this end, following a benchmarking process, account was taken of the percentage of revenues that producers are willing to pay to the distributors of financial products and the effects of this were considered in relation to the assumptions incorporated in the business plan and in the Company's latest forecasts. The analysis showed several potentially positive effects, leading to the conclusion that the related carrying amounts are fair. In addition, in assessing the value of non-current assets, account was taken of any effects on the value in use of certain properties, should such properties no longer be used in operations in future. In some cases, a precautionary approach was adopted and impairment losses were recognised. At 31 December 2014 the fair value of the Parent Company's properties used in operations was, however, significantly higher than their carrying amount. As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated from the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also considered. On this basis, the value in use of the Parent Company's land and buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain critical market conditions, certain properties may have values that are significantly higher than their market value, without this having any impact on the cash flows or results of the Postal and Business services segment

Impairment tests and cash generating units

As mentioned above, goodwill and non-current assets in general are tested for impairment in accordance with the applicable accounting standards.

In particular, two cash generating units (CGUs) are identified for the Parent Company - BancoPosta RFC and the remaining Postal and Business services segment - and goodwill has been allocated to both of these. Each of the other Group companies is considered a separate CGU. Details of goodwill are provided in note 3.3, table A3.2.

The impairment tests at 31 December 2014 were performed on the basis of the five-year business plans for 2015-2019 of the units concerned or the latest available projections. Data from the last year of the plan have been used to project cash flows for subsequent years over an indefinite time, and the resulting value was then discounted using the Discounted Cash Flow (DCF) method. For the determination of value in use, NOPLAT (net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (weighted average cost of capital)[17].

[17] In the test carried out at 31 December 2014, use was made of an assumed growth rate of 1% while the WACC for each CGU tested for impairment, determined in accordance with best practices, ranged from 5.7% to 8%.

Depreciation and amortisation of property, plant and equipment and intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of acquisition and is based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life. Each year, changes in technology and within the industry and the costs of dismantling tangible assets and their recoverable amounts are reviewed in order to update the residual useful lives of such assets. This periodic update may lead to changes in the depreciation or amortisation period and thus in charges for depreciation or amortisation in the current and in future years.

In the case of assets located on land held under concession or sub-concession, on expiry of the concession term, or whilst awaiting confirmation of renewal, any additional depreciation of assets to be handed over at the end of the concession term is calculated on the basis of the probable residual duration of the right to use the assets to provide public services, estimated on the basis of the framework agreements entered into with the public sector entity, the status of negotiations with the grantors and past experience.

Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the statement of financial position.

Provision for doubtful debts

The provision for doubtful debts reflects the estimated losses on receivables, which, in the case of receivables due form public sector entities, considers the legislation restricting public spending. Provisions for expected losses reflect the estimated credit risk associated with historical experience of similar receivables, an analysis of past-due items (current and historical), losses and collections and the monitoring of the current and future economic conditions in the related markets. Net provisions for doubtful debts are accounted for in profit or loss under other operating costs, or, if relating to receivables accrued during the year, by deferring the related revenue.

Fair value of unquoted financial instruments

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers or on internal valuation techniques which estimate the transaction price on the measurement date in an arm’s length exchange motivated by normal business considerations. The valuation models are primarily based on market variables, considering where possible, the prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk (see section 2.4 – Determination of fair value).

Technical provisions for insurance business

The measurement of technical provisions for the insurance business is based on the calculations performed by actuaries employed by Poste Vita SpA; such calculations are then regularly verified by independent external actuaries. In order to verify the adequacy of the provisions, liability adequacy tests (LATs), (which measure the ability of future cash flows from the insurance contracts to cover liabilities towards the policyholders), are periodically performed. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claims expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

Employee termination benefits

The calculation of employee termination benefits is conducted by independent actuaries, considering vested termination benefits for the period of service to date and actuarial assumptions of a demographic, economic and financial nature. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

2.4 DETERMINATION OF FAIR VALUE

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level[18].

In compliance with IFRS 13 - *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group, these include the following types of financial instruments:

Bonds quoted on active markets:

- Bonds issued by EU government bodies or Italian or foreign corporate bonds: measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Bloomberg Composite Price) third;
- Financial liabilities: measurement is based on the ask prices quoted by CBBT (*Bloomberg Composite Price*).

Equities and ETFs (Exchange Traded Funds) quoted on active markets: measurement is based on the price resulting from the last trade of the day on the stock exchange of reference.

Quoted investment funds: measurement is based on the NAV (Net Asset Value) determined by the fund manager.

Level 1 bond price quotations incorporate a credit risk component.

[18] The Group's Fair Value Policy does not set out *any* techniques or criteria to be followed in determining the fair value of investments in shares of funds, for which NAV per share as determined by the fund managers are available.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premia, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

For the Poste Italiane Group these include the following types of financial instruments:

Bonds either quoted on inactive markets or not at all:

- Straight Italian and international government and non-government bonds: valued using discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Structured bonds: measurement is based on a building blocks approach, where the structured bond is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks. In the case of structured bonds used to hedge index-linked policies (before ISVAP regulation no. 32), measurement is based on the bid price provided by the financial counterparties with which buyback agreements have been struck.

Unquoted equities: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

Unquoted investment funds: measurement is based on the NAV (Net Asset Value) determined by the fund manager.

Derivative financial instruments:

- Interest rate swaps:

  Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

  Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measure using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.

- Warrants: considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.

The derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Fixed rate and variable rate instruments: measurement is based on the discounted cash flow approach. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market.

Financial liabilities either quoted on inactive markets or not at all:

- Straight bonds: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- Structured bonds: measurement is based on a building blocks approach, where the structured product is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks..
- Borrowings: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- Repurchase agreements: used to raise finance, are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty' credit risk.

Investment property (excluding former service accommodation) and inventories of properties held for sale: The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed rate and variable rate instruments: measurement is based on discounted cash flow. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks.

Property funds subject to capital calls and closed-end private equity funds subject to capital calls: these include funds that invest mainly in unlisted instruments. Their fair value is determined by considering the NAV (Net Asset Value) reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (former service accommodation): The value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the tenant or the minimum selling price in case the property is sold through a public auction.

Unlisted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market.

2.5 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS AND THOSE SOON TO BE EFFECTIVE

2.5.1 Accounting standards and interpretations applicable from 1 January 2014

The following amendments, interpretations and revisions are applicable from 1 January 2014:

- IAS 27 - *Separate Financial Statements*, amended with (EU) Regulation 1254/2012. The amendments introduced involve the extrapolation and transfer to a new dedicated standard (IFRS 10 – *Consolidated financial statements*) of the rules on the preparation of consolidated financial statements. In this way, the new IAS 27 provides for the preparation of the separate financial statements only and, in this respect, it is substantially unchanged from the previous version.
- IAS 28 - *Investments in Associates and Joint Ventures*, amended with (EU) Regulation 1254/2012. This standard was amended with the introduction of the application of the equity method to account for investments in joint ventures.
- IFRS 10 - *Consolidated Financial Statements*, adopted with (EU) Regulation 1254/2012. The new standard lays down the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions contained formerly in IAS 27 – *Consolidated and Separate Financial Statements* and in SIC 12 – *Special Purpose Entities (Investment Vehicles)*. The new standard redefines control as the only basis of consolidation of all types of entities, eliminates certain inconsistencies or interpretative doubts between IAS 27 and SIC 12 and, lastly, defines clear and specific rules to identify "de facto control".
- IFRS 11 - *Joint Arrangements*, adopted with (EU) Regulation 1254/2012. The new standard establishes rules for accounting for jointly controlled entities, replacing IAS 31 – *Investments in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 also lays out the criteria for identifying joint arrangements on the basis of rights and obligations deriving from the arrangements, more than the legal form of such arrangements, and does not permit, unlike IAS 31, proportionate consolidation as a method to account for investments in joint ventures.
- IFRS 12 - *Disclosure of Interests in Other Entities,* adopted with (EU) Regulation 1254/2012. IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard summarises all the disclosures that an entity is required to make to allow financial statement users to assess the nature and risks deriving from its investments in other entities, and the effects of such investments on the statement of financial position, operating performance and cash flows.
- IAS 32 - *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities* amended with (EU) Regulation 1256/2012. Following the amendment to IFRS 7, IAS 32 (*revised)* provides additional guidance to reduce inconsistencies in the application of this standard.
- Amendments to IFRS 10, IFRS 12 and IAS 27 adopted with (EU) Regulation 1174/2013. To set out rules on Investment Entities, the following standards were amended:
    - IFRS 10, amended to require investment entities to measure their subsidiaries at their fair value through profit or loss instead of consolidating them, to better reflect their business model;

    - IFRS 12, amended to require specific disclosures about the subsidiaries of investment entities;
    - IAS 27, amended to eliminate the possibility for investment entities to opt for the valuation at cost of certain subsidiaries, requiring their recognition at fair value in their separate financial statements.
- IAS 36 - *Impairment of Assets*, amended with (EU) Regulation 1374/2013. The amendments intend to clarify that the disclosures on the recoverable amount of assets, when such amount is based on fair value less costs to sell, concern only impaired assets.
- IAS 39 – *Financial Instruments: Recognition and Measurement*, amended with (EU) Regulation 1375/2013. The amendments provide for situations where derivatives designated as hedges are novated from one counterparty to another central counterparty, as a result of laws or regulation. In particular, in these cases hedge accounting can continue regardless of novation.

2.5.2 Accounting standards and interpretations soon to be effective

The following standards, interpretations and amendments are applicable from 1 January 2015:

- IFRIC 21 – *Levies*, adopted with (EU) Regulation 634/2014, will apply as of 1 January 2015. The interpretation provides guidance on how to account for a liability for a levy imposed by a government, when the liability is to be accounted for in accordance with IAS 37.
- Annual Improvement Cycle to IFRSs 2011 - 2013 adopted with Regulation (EU) no. 1361/2014 in connection with the annual projects to improve and revise international accounting standards.

The following accounting standards, interpretations and amendments apply as of 1 January 2016:

- IFRS – Annual improvement cycle in relation to 2010-2012 adopted with Regulation (EU) no. 28/2015 in connection with the annual projects to improve and revise international accounting standards.
- IAS 19 – *Employee benefits – Defined Benefit Plans: Employee Contributions* adopted with Regulation (EU) no. 29/2015. The amendment clarifies the application of IAS 19 to defined benefit plans requiring contributions from employees or third parties that are not voluntary contributions. Such contributions reduce the entity's service cost. The amendment permits contributions linked to service, but not the years in service, to be deducted from service costs for the year in which they are paid, instead of allocating them over the employee's years of service.

Lastly, as of the date of approval of these financial statement, the IASB has issued standards, interpretations, amendments and a number of Exposure Drafts that have not yet been endorsed by the EU and/or that are still in the consultation phase, including:

- IFRS 9 – Financial Instruments;
- IFRS 14 - Regulatory Deferral Accounts;
- IFRS 15 - Revenue from Contracts with Customers;
- Amendments to IFRS 10, IFRS 12 e IAS 28 – Investment Entities – Applying the Exception to Consolidation;
- Amendments to IAS 1 - Disclosures;
- Annual improvements to IFRS - 2012 – 2014 Cycle;
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate/Joint Venture;
- Amendments to IAS 27 - Equity Method in Separate Financial Statements;
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations;
- *Exposure Draft "IFRS 2 – Share-Based Payments"* on the Classification and Measurement of Share-Based Payment transactions;
- *Exposure Draft "IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36"* on the Fair Value Measurement of Quoted Investments in Subsidiaries, Joint Ventures and Associates;
- *Exposure Draft "IAS 12 – Income Tax"* on the Recognition of Deferred Tax Assets for Unrealised Losses;
- Discussion Paper "Conceptual Framework for Financial Reporting" as part of the conceptual revision of the current Framework;
- Exposure Draft "*Insurance Contracts*" as part of the conceptual revision of the current standard;
- *Exposure Draft* "Leases" as part of the conceptual revision of the current standard;

- *Exposure Draft "IAS 1 – Classification of Liabilities"*, which clarifies how entities classify debt, particularly when it is coming up for renewal.

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed.

3. Poste Italiane Group for the year ended 31 December 2014

CONTENTS

3.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

(€000)

ASSETS	Note	2014	*of which related party transactions (note 3.5)*	2013	*of which related party transactions (note 3.5)*
Non-current assets					
Property, plant and equipment	[A1]	2,295,901	-	2,490,278	-
Investment property	[A2]	66,765	-	68,934	-
Intangible assets	[A3]	529,394	-	576,911	-
Investments accounted for using the equity method	[A4]	1,098	*1,098*	8,611	*8,611*
Financial assets	[A5]	121,675,939	*2,304,949*	106,478,255	*2,401,453*
Trade receivables	[A7]	58,747	-	108,747	-
Deferred tax assets	[C13]	702,190	-	673,349	-
Other receivables and assets	[A8]	2,013,351	*1,466*	1,568,175	*1,466*
Total		**127,343,385**		**111,973,260**	
Current assets					
Inventories	[A6]	138,585	-	145,078	-
Trade receivables	[A7]	3,701,555	*2,246,081*	3,637,139	*2,124,544*
Current tax assets	[C13]	658,290	-	718,674	-
Other receivables and assets	[A8]	1,530,173	*536,494*	938,400	*3,426*
Financial assets	[A5]	21,010,553	*6,806,805*	11,988,354	*6,866,752*
Cash and deposits attributable to BancoPosta	[A9]	2,873,042	-	3,079,693	-
Cash and cash equivalents	[A10]	1,703,765	*933,566*	1,445,334	*529,414*
Total		**31,615,963**		**21,952,672**	
Non-current assets held for sale	[A11]	**-**	**-**	**-**	**-**
TOTAL ASSETS		**158,959,348**		**133,925,932**	

LIABILITIES AND EQUITY	Note	2014	*of which related party transactions (note 3.5)*	2013	*of which related party transactions (note 3.5)*
Equity					
Share capital	[B1]	1,306,110	-	1,306,110	-
Reserves	[B4]	3,159,927	-	1,951,888	-
Retained earnings		3,951,961	-	3,858,306	-
Equity attributable to owners of the Parent		**8,417,998**		**7,116,304**	
Equity attributable to non-controlling interests		291	-	-	-
Total		**8,418,289**		**7,116,304**	
Non-current liabilities					
Technical provisions for insurance business	[B5]	87,219,223	-	68,004,986	-
Provisions for risks and charges	[B6]	600,934	*53,451*	564,552	*49,282*
Employee termination benefits and pension plans	[B7]	1,478,486	-	1,339,877	-
Financial liabilities	[B8]	5,781,832	*95,874*	5,928,324	*955,240*
Deferred tax liabilities	[C13]	1,047,401	-	505,550	-
Other liabilities	[B10]	763,754	*220*	531,528	-
Total		**96,891,630**		**76,874,817**	
Current liabilities					
Provisions for risks and charges	[B6]	732,949	*12,009*	601,143	*10,775*
Trade payables	[B9]	1,421,877	*174,158*	1,519,629	*181,287*
Current tax liabilities	[C13]	23,748	-	101,845	-
Other liabilities	[B10]	1,894,750	*71,310*	1,870,213	*70,723*
Financial liabilities	[B8]	49,576,105	*414,018*	45,841,981	*941,033*
Total		**53,649,429**		**49,934,811**	
TOTAL EQUITY AND LIABILITIES		**158,959,348**		**133,925,932**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

(€000)

	Note	2014	*of which related party transactions (note 3.5)*	2013	*of which related party transactions (note 3.5)*
Revenue from sales and services	[C1]	9,150,384	*2,406,549*	9,622,246	*2,572,941*
Insurance premium revenue	[C2]	15,471,991	-	13,200,046	-
Other income from financial and insurance activities	[C3]	3,772,221	-	3,281,152	-
Other operating income	[C4]	117,698	*6,899*	164,757	*6,722*
Total revenue		**28,512,294**		**26,268,201**	
Cost of goods and services	[C5]	2,648,248	*169,135*	2,734,491	*158,686*
Net change in technical provisions for insurance business and other claims expenses	[C6]	17,882,988	-	15,265,561	-
Other expenses from financial and insurance activities	[C7]	76,074	-	73,811	-
Personnel expenses	[C8]	6,229,397	*40,097*	6,007,993	*39,608*
of which non-recurring costs/(income)		-		*(20,283)*	
Depreciation, amortisation and impairments	[C9]	670,770	-	588,644	-
Capitalised costs and expenses	[C10]	(29,802)	-	(57,210)	-
Other operating costs	[C11]	343,611	*96,537*	254,416	*(7,282)*
Operating profit/(loss)		**691,008**		**1,400,495**	
Finance costs	[C12]	191,218	*4,689*	98,113	*8,847*
of which non-recurring costs		*75,000*	-	-	-
Finance income	[C12]	197,909	*153,177*	226,042	*41,876*
of which non-recurring income		*10,776*		*59,576*	
Profit/(Loss) on investments accounted for using the equity method	[A4]	(975)		157	
Profit/(Loss) before tax		**696,724**		**1,528,581**	
Income tax expense	[C13]	484,749	-	746,476	-
Income tax for previous years following change in legislation	[C13]	-	-	(222,772)	-
PROFIT FOR THE YEAR		**211,975**		**1,004,877**	
attributable to owners of the Parent		211,975		1,004,877	
attributable to non-controlling interests		-	-	-	

	Note	2014		2013	
Earnings per share	[B3]	**0.162**		**0.769**	
Diluted earnings per share	[B3]	**0.162**		**0.769**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

(€000)

	Note	2014	2013
Profit/(Loss) for the year		**211,975**	**1,004,877**
Items to be reclassified in the Statement of profit or loss			
Available-for-sale financial assets			
Increase/(decrease) in fair value during the year	[tab. B4]	1,965,733	1,010,048
Transfers to profit or loss	[Tab. B4]	(288,920)	(216,804)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	143,870	188,215
Transfers to profit or loss	[tab. B4]	(46,483)	(30,642)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss		(566,161)	(299,184)
Items not to be reclassified in the Statement of profit or loss			
Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	[tab. B7]	(176,631)	81,585
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss		48,544	(22,317)
Total other components of comprehensive income		**1,079,952**	**710,901**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,291,927**	**1,715,778**
attributable to owners of the Parent		1,291,933	1,715,778
attributable to non-controlling interests		(6)	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€/000)

	Equity								
		Reserves							
	Share capital	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Non-controlling interests	Total equity
Balance at 1 January 2013	**1,306,110**	**263,122**	**1,000,000**	**126,241**	**(125,220)**	**3,080,273**	**5,650,526**	**-**	**5,650,526**
Total comprehensive income for the year	-	-	-	544,607	107,026	1,064,145	1,715,778	-	1,715,778
Attribution of profit to reserves	-	36,112	-	-	-	(36,112)	-	-	-
Dividends paid	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	-	-
Cancellation of EC Decision of 16 July 2008	-	-	-	-	-	568,407	568,407	-	568,407
Amount due from shareholder for cancellation of EC Decision of 16 July 2008	-	-	-	-	-	(568,407)	(568,407)	-	(568,407)
Balance at 31 December 2013	**1,306,110**	**299,234**	**1,000,000**	**670,848**	**(18,194)**	**3,858,306**	**7,116,304**	**-**	**7,116,304**
Total comprehensive income for the year	-	-	-	1,141,828	66,211	83,894 (*)	1,291,933	(6)	1,291,927
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Change in scope of consolidation	-	-	-	-	-	-	-	297	297
Other shareholder transactions	-	-	-	-	-	509,761	509,761	-	509,761
Recognition of receivable authorised by 2015 Stability Law, implementing court decision [19]	-	-	-	-	-	535,000	535,000	-	535,000
Taxation	-	-	-	-	-	(25,239)	(25,239)	-	(25,239)
Balance at 31 December 2014	**1,306,110**	**299,234**	**1,000,000**	**1,812,676**	**48,017**	**3,951,961**	**8,417,998**	**291**	**8,418,289**

* This item includes profit for the year of €211,975 thousand, actuarial gains on provisions for employee termination benefits for €176,631 thousand after tax expense and deferred tax assets of €48,544 thousand (after-tax actuarial losses of €6 thousand refer to reserves attributable to non-controlling interests)[19].

[19] A breakdown of the item in the statement is shown below:

Amount resulting from cancellation of EC Decision of 16 July 2008 at 31 December 2013	568,407
Recognition of interest for 2014 not provided for in art. 1, para. 281 of Law 190/2014	8,970
Adjustment of interest for 2014 not provided for in art. 1, para. 281 of Law 190/2014	(8,970)
Partial reversal of accrued interest not provided for in art. 1, para. 281 of Law 190/2014	(33,407)
Recognition of receivable authorised by 2015 Stability Law, implementing court decision [A8]	535,000
of which:	
return of sums paid to the MEF	443,223
interest	91,777

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	Note	2014	(€000) 2013
Cash and cash equivalents at beginning of year		**1,445,334**	**2,533,323**
Profit/(Loss) before tax		696,724	1,528,581
Depreciation, amortisation and impairments	[tab. C9]	670,770	588,644
Impairment of goodwill/goodwill arising from consolidation	[tab. A3]	-	-
Net provisions for risks and charges	[tab. B6]	410,994	163,558
Use of provisions for risks and charges	[tab. B6]	(244,845)	(413,494)
Provisions for employee termination benefits	[tab. B7]	910	967
Employee termination benefits and pensions paid	[tab. B7]	(78,384)	(73,046)
(Gains)/Losses on disposals	[tab. C11]	2,243	875
Impairment on available-for-sale financial assets	[tab. A5.9]	75,168	-
(Dividends)	[tab. C12.1]	(459)	(98)
Dividends received		459	98
(Finance income realised)	[tab. C12.1]	(53,230)	(8,784)
(Finance income in form of interest)	[tab. C12.1]	(140,260)	(212,038)
Interest received		110,081	120,415
Interest expense and other finance costs	[tab. C12.2]	111,007	93,273
Interest paid		(33,097)	(17,965)
Losses and impairments/(Recoveries) on receivables	[tab. C11]	91,114	29,963
Income tax paid	[tab. C13.3]	(521,816)	(665,618)
Other changes		975	(160)
Cash flow generated by operating activities before movements in working capital	[a]	1,098,354	1,135,171
Movements in working capital:			
(Increase)/decrease in Inventories	[tab. A6]	6,493	(595)
(Increase)/decrease in Trade receivables		(114,490)	132,127
(Increase)/decrease in Other receivables and assets		(255,610)	(222,769)
Increase/(decrease) in Trade payables		(94,953)	(111,066)
Increase/(decrease) in Other liabilities		38,607	150,997
Cash flow generated by /(used in) movements in working capital	[b]	(419,953)	(51,306)
Increase/(decrease) in liabilities attributable to financial activities		1,174,040	501,096
Net cash generated by/(used for) financial assets attributable to financial activities held for trading		1	9,256
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities		(1,100,230)	(713,771)
Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities		1,332,197	(939,235)
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A9]	206,651	100,008
(Increase)/decrease in other assets attributable to financial activities		(1,073,077)	453,139
(Income)/Expenses and other non-cash components from financial activities		(922,178)	(900,724)
Cash generated by/(used for) assets and liabilities attributable to financial activities	[c]	(382,596)	(1,490,231)
Payment of liabilities linked to financial contracts attributable to insurance activities	[tab. B8]	-	-
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities		(1,151,409)	334,910
Increase/(decrease) in net technical provisions for insurance business		12,607,889	10,115,782
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities	[tab. A5.5]	(9,834,444)	(8,968,353)
(Increase)/decrease in other assets attributable to insurance activities		(12,155)	(10,641)
(Gains)/Losses on financial assets/liabilities measured at fair value		(710,578)	(636,514)
(Income)/Expenses and other non-cash components from insurance activities		(1,273,999)	(1,187,009)
Cash generated by/(used for) assets and liabilities attributable to insurance activities	[d]	(374,696)	(351,825)
Net cash flow from /(for) operating activities	**[e]=[a+b+c+d]**	**(78,891)**	**(758,191)**
- of which related party transactions		**(1,348,376)**	**(2,016,160)**
Investing activities:			
Property, plant and equipment	[tab. A1]	(219,573)	(261,051)
Investment property	[tab. A2]	(510)	(742)
Intangible assets	[tab. A3]	(217,530)	(243,452)
Investments	[tab. A4.1]	(393)	(9)
Other financial assets		(99,871)	(231,344)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		8,731	4,413
Investments	[tab. A4.1]	4,502	-
Other financial assets		161,840	11,340
Change in scope of consolidation		15,636	1,283
Net cash flow from /(for) investing activities	**[f]**	**(347,169)**	**(719,562)**
- of which related party transactions		**4,857**	**(32,899)**
Proceeds from/(Repayments of) long-term borrowings		744,148	790,573
(Increase)/decrease in loans and receivables		109,442	147,799
Increase/(decrease) in short-term borrowings		330,901	(298,608)
Dividends paid	[B2]	(500,000)	(250,000)
Net cash flow from/(for) financing activities and shareholder transactions	**[g]**	**684,491**	**389,764**
- of which related party transactions		**(506,480)**	**(215,655)**
Net increase/(decrease) in cash	**[h]=[e+f+g]**	**258,431**	**(1,087,989)**
Cash and cash equivalents at end of year	**[tab. A10]**	**1,703,765**	**1,445,334**

Cash and cash equivalents at end of year	**[tab. A10]**	**1,703,765**	**1,445,334**
Cash subject to investment restrictions		(511,405)	(262,157)
Cash attributable to technical provisions for insurance business		(414,617)	(624,625)
Amounts that cannot be drawn on due to court rulings		(15,849)	(17,036)
Current account overdrafts		(7,964)	(4,925)
Cash resulting from cash on delivery payments		(6,769)	(6,764)
Unrestricted net cash and cash equivalents at end of year		**747,161**	**529,827**

3.2 BASIS OF CONSOLIDATION

The Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control from the date on which control is obtained until the date on which control is no longer held by the Group. The Group controls an entity when it simultaneously:

- has power over the investee;
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is exercised both via direct or indirect ownership of voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly based on legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been specifically prepared at 31 December 2014, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

Subsidiaries that, in terms of their size or operations, are, either individually or taken together, irrelevant to a true and fair view of the Group's results of operations and financial position have not been included within the scope of consolidation. The criteria used for line-by-line consolidation are as follows:

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounting for using the acquisition method. The cost of acquisition is based on the fair values of the assets given, the liabilities incurred and the equity instruments issued by the acquirer, plus any directly attributable acquisition costs incurred. Any difference between the cost of acquisition and the fair values of the assets and liabilities acquired, following review of their fair value, is recognised as goodwill arising from consolidation (if positive), or recognised in profit or loss (if negative);
- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

Investments in subsidiaries that are not significant and are not consolidated, and those in companies over which the Group exerts significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter "associates", are accounted for using the equity method.

The equity method is as follows:

- the Group's share of an entity's post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company's losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group's interest in the associate; unrealised losses, unless relating to impairment, are eliminated.

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries	At 31 December 2014	At 31 December 2013
Consolidated on a line-by-line basis	20	17
Recognised with the equity method	5	7
Total companies	25	24

Since 1 January 2014, PatentiViaPoste ScpA and Poste Tributi ScpA, which were previously accounted for on a net equity basis, have been consolidated on a line-by-line basis.
On 12 February 2014, the PosteMotori Consortium was created, with a Consortium Fund of €120,000, of which 58.12% is held by Poste Italiane SpA and 22.63% by Postecom SpA (Group's total interest amounts to 80.75%). At 31 December 2014, the company is consolidated on a line-by-line basis.

On 24 February 2014, the Parent Company's subsidiary, Poste Holding Participações Do Brasil LTDA, acquired 90% of the share capital of 1,000 Brazilian reals of the newly established Italo-Brasil Holding SA and, on 25 February 2014, acquired the remaining 10%. At 31 December 2014, Italo-Brasil Holding SA is accounted for using the equity method. On 27 November 2014, the Parent Company's Board of Directors decided to put the Virtual Mobile Network Operator project in Brazil on hold and put the Brazilian subsidiaries into liquidation. The effects of this action are reflected in the consolidated statement of profit and loss.

A list of subsidiaries consolidated on a line-by-line basis and associates accounted for using the equity method, together with key information, is provided in note 3.8.

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT

The following table shows movements in property, plant and equipment in 2014:

tab. A1 - Movements in property, plant and equipment

	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 1 January 2013								
Cost	76,874	2,781,736	2,204,389	312,963	350,814	1,473,050	66,890	7,266,716
Accumulated depreciation	-	(1,242,601)	(1,679,459)	(265,478)	(146,477)	(1,221,105)	-	(4,555,120)
Accumulated impairments	(14)	(49,256)	(10,009)	(770)	(471)	(757)	-	(61,277)
Carrying amount	**76,860**	**1,489,879**	**514,921**	**46,715**	**203,866**	**251,188**	**66,890**	**2,650,319**
Movements during the year								
Purchases	507	48,414	53,909	5,299	22,786	96,593	33,543	261,051
Adjustments	-	-	-	-	-	-	-	-
Reclassifications	(2,022)	(15,839)	4,959	(37)	6,002	28,018	(47,728)	(26,647)
Disposals	(1)	(285)	(398)	(4)	(1,406)	(446)	(580)	(3,120)
Change in scope of consolidation	-	-	244	-	-	20	-	264
Depreciation	-	(103,685)	(123,671)	(11,634)	(32,146)	(101,182)	-	(372,318)
Impairments	-	(6,915)	(12,801)	(40)	-	485	-	(19,271)
Total movements	**(1,516)**	**(78,310)**	**(77,758)**	**(6,416)**	**(4,764)**	**23,488**	**(14,765)**	**(160,041)**
Balance at 31 December 2013								
Cost	75,358	2,793,338	2,177,877	317,982	374,964	1,568,849	52,125	7,360,493
Accumulated depreciation	-	(1,325,606)	(1,718,208)	(276,873)	(175,391)	(1,293,901)	-	(4,789,979)
Accumulated impairments	(14)	(56,163)	(22,506)	(810)	(471)	(272)	-	(80,236)
Carrying amount	**75,344**	**1,411,569**	**437,163**	**40,299**	**199,102**	**274,676**	**52,125**	**2,490,278**
Movements during the year								
Purchases	772	34,490	43,452	5,276	22,112	79,261	34,210	219,573
Adjustments[1]	-	-	-	-	-	4	-	4
Reclassifications[2]	-	13,636	14,276	314	5,221	7,115	(43,145)	(2,583)
Disposals[3]	(39)	(112)	(182)	(1)	(1,581)	(449)	(81)	(2,445)
Change in the scope of consolidation[4]	-	-	-	-	-	3	-	3
Depreciation	-	(106,022)	(109,885)	(10,939)	(29,018)	(105,603)	-	(361,467)
Impairments	(281)	(38,990)	3,655	(3)	(11,617)	(226)	-	(47,462)
Total movements	**452**	**(96,998)**	**(48,684)**	**(5,353)**	**(14,883)**	**(19,895)**	**(9,016)**	**(194,377)**
Balance at 31 December 2014								
Cost	76,091	2,840,153	2,199,826	323,480	398,193	1,638,751	43,109	7,519,603
Accumulated depreciation	-	(1,430,856)	(1,793,304)	(287,761)	(201,909)	(1,383,527)	-	(5,097,357)
Accumulated impairments	(295)	(94,726)	(18,043)	(773)	(12,065)	(443)	-	(126,345)
Carrying amount	**75,796**	**1,314,571**	**388,479**	**34,946**	**184,219**	**254,781**	**43,109**	**2,295,901**
Adjustments[1]								
Cost	-	-	-	-	-	8	-	8
Accumulated depreciation	-	-	-	-	-	(4)	-	(4)
Accumulated impairments	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Reclassifications[2]								
Cost	-	13,378	14,308	360	5,164	7,072	(43,145)	(2,863)
Accumulated depreciation	-	258	(32)	(46)	57	31	-	268
Accumulated impairments	-	-	-	-	-	12	-	12
Total	**-**	**13,636**	**14,276**	**314**	**5,221**	**7,115**	**(43,145)**	**(2,583)**
Disposals[3]								
Cost	(39)	(1,053)	(35,812)	(138)	(4,047)	(16,448)	(81)	(57,618)
Accumulated depreciation	-	514	34,822	97	2,443	15,956	-	53,832
Accumulated impairments	-	427	808	40	23	43	-	1,341
Total	**(39)**	**(112)**	**(182)**	**(1)**	**(1,581)**	**(449)**	**(81)**	**(2,445)**
Change in scope of consolidation[4]								
Cost	-	-	1	-	-	9	-	10
Accumulated depreciation	-	-	(1)	-	-	(6)	-	(7)
Accumulated impairments	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**

At 31 December 2014, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €106,726 thousand.

Capital expenditure of €219,573 thousand in 2014, including €5,625 thousand in capitalised costs for self-constructed assets, consists of:

- €34,490 thousand relating to extraordinary maintenance of post offices and local head offices around the country (€21,073 thousand), mail sorting offices (€7,729 thousand) and the purchase of a previously rented property in Savona (€3,088 thousand as well as €772 thousand for the adjoining piece of land);
- €43,452 thousand relating to plant, with the most significant expenditure made by the Parent Company, of which €27,545 thousand for plant and equipment related to buildings and €6,162 thousand for the installation and extraordinary maintenance of video surveillance systems;
- €22,112 thousand to upgrade plant and the structure of properties held under lease;
- €79,261 thousand relating to Other assets, the most significant items of which relate to the Parent Company, including €29,095 thousand for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems; €13,911 for the purchase of new delivery vehicles; and €8,615 thousand for the purchase of furniture and fittings in connection with the new layouts for post offices. This sum includes purchases made by PosteMobile SpA, totalling €19,566 thousand, relating mainly to hardware components for the so-called Electronic Postman project;
- €34,210 thousand relating to assets under construction, primarily referring to the Parent Company's investments in progress, of which €14,730 thousand relates to the restyling of post offices, €5,663 thousand for the restructuring of head offices and €6,520 thousand to purchase hardware and other technological equipment that is not yet operational.

Impairments mainly concern owned industrial buildings (property used in operations) and leased commercial buildings (leasehold improvements) held by the Parent Company, and reflect prudent consideration of the effects on the relevant values in use of reduced utilisation or future removal from the production cycle (note 2.3 – *Use of estimates*).

Reclassifications from assets under construction, totalling €43,145 thousand, relate primarily to the acquisition cost of assets that became available and ready for use during the year. In particular, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

The following table shows a breakdown by category of property, plant and equipment held under finance leases, showing the carrying amounts at 31 December 2014:

tab. A1.1 - Propety,plant and equipment held under finance leases

	At 31 December 2014			At 31 December 2013		
Item	**Cost**	**Accumulated depreciation**	**Carrying amount**	**Cost**	**Accumulated depreciation**	**Carrying amount**
Buildings	17,043	(6,389)	10,654	17,043	(5,878)	11,165
Other assets	61	(22)	39	6,885	(5,919)	966
Total	**17,104**	**(6,411)**	**10,693**	**23,928**	**(11,797)**	**12,131**

The supply agreement entered into in 2007 in relation to the hardware and software platform used by Poste Mobile SpA to produce virtual mobile operator services, expired on 31 December 2014. The hardware components, carried at cost of €6,824 thousand under "Other assets", became the company's property.

A2 - INVESTMENT PROPERTY

Investment property primarily relates to residential accommodation previously used by post office directors and former service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993. The following movements in Investment property took place in 2014:

tab. A2 - Movements in investment property

	2014	2013
Balance at 1 January		
Cost	145,269	228,509
Accumulated depreciation	(74,651)	(90,490)
Accumulated impairments	(1,684)	(2,290)
Carrying amount	**68,934**	**135,729**
Movements during the year		
Purchases	510	742
Reclassifications (1)	2,346	(58,352)
Disposals (2)	(590)	(1,203)
Depreciation	(4,836)	(8,586)
Reversal of impairments (impairments)	401	604
Total movements	**(2,169)**	**(66,795)**
Balance at 31 December		
Cost	146,963	145,269
Accumulated depreciation	(78,926)	(74,652)
Accumulated impairments	(1,272)	(1,683)
Carrying amount	**66,765**	**68,934**
Fair value at 31 December	***115,893***	***122,001***
Reclassifications (1)		
Cost	2,346	(81,767)
Accumulated depreciation	-	23,415
Accumulated impairments	-	-
Total	**2,346**	**(58,352)**
Disposals (2)		
Cost	(1,162)	(2,215)
Accumulated depreciation	561	1,009
Accumulated impairments	11	3
Total	**(590)**	**(1,203)**

The fair value of investment property at 31 December 2014 includes approximately €69,706 thousand representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects price estimates computed internally by the Company[20].

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that the Group retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

20 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation qualifies for level 3, while the other investment property qualifies for level 2.

A3 - INTANGIBLE ASSETS

The following table shows movements in intangible assets in 2014:

tab. A3 - Movements in intangible assets

	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and prepayments	Goodwill	Other	Total
Balance at 1 January 2013					
Cost	1,737,166	180,584	103,614	143,320	2,164,684
Accumulated amortisation and impairments	(1,451,472)	(99)	(56,857)	(132,375)	(1,640,803)
Carrying amount	**285,694**	**180,485**	**46,757**	**10,945**	**523,881**
Movements during the year					
Purchases	103,103	134,735	-	5,614	243,452
Reclassifications	129,321	(133,397)	-	3,562	(514)
Transfers and disposals	(651)	(179)	-	(5)	(835)
Change in the scope of consolidation	-	-	-	-	-
Amortisation and impairments	(181,095)	-	-	(7,978)	(189,073)
Total movements	**50,678**	**1,159**	**-**	**1,193**	**53,030**
Balance at 31 December 2013					
Cost	1,965,658	181,743	103,614	83,643	2,334,658
Accumulated amortisation and impairments	(1,629,286)	(99)	(56,857)	(71,505)	(1,757,747)
Carrying amount	**336,372**	**181,644**	**46,757**	**12,138**	**576,911**
Movements during the year					
Purchases	149,666	57,291	-	10,573	217,530
Adjustments(1)	-	-	-	-	-
Reclassifications(1)	152,119	(157,599)	-	5,495	15
Transfers and disposals(2)	(5)	(7,393)	-	(319)	(7,717)
Change in the scope of consolidation(3)	65	-	-	-	65
Amortisation and impairments	(247,700)	-	-	(9,710)	(257,410)
Total movements	**54,145**	**(107,701)**	**-**	**6,039**	**(47,517)**
Balance at 31 December 2014					
Cost	2,264,455	74,042	103,614	99,392	2,541,503
Accumulated amortisation and impairments	(1,873,938)	(99)	(56,857)	(81,215)	(2,012,109)
Carrying amount	**390,517**	**73,943**	**46,757**	**18,177**	**529,394**
Adjustments(1)					
Cost	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Reclassifications(1)					
Cost	152,119	(157,599)	-	5,495	15
Accumulated amortisation	-	-	-	-	-
Total	**152,119**	**(157,599)**	**-**	**5,495**	**15**
Transfers and disposals(2)					
Cost	(3,081)	(7,393)	-	(319)	(10,793)
Accumulated amortisation	3,076	-	-	-	3,076
Total	**(5)**	**(7,393)**	**-**	**(319)**	**(7,717)**
Change in the scope of consolidation(3)					
Cost	93	-	-	-	93
Accumulated amortisation	(28)	-	-	-	(28)
Total	**65**	**-**	**-**	**-**	**65**

Investment in “Intangible assets” during 2014 amounts to €217,530 thousand, of which €24,177 thousand relates to internally developed software. Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

Purchases of industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights total €149,666 thousand, before amortisation for the period, and relate primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

The balance of intangible assets under construction includes activities conducted by the Parent Company, primarily regarding the development for software relating to the infrastructure platform (€25,798 thousand), for BancoPosta services (€17,820 thousand), for the postal products platform (€11,351 thousand), and for use in providing support to the sales network (€4,307 thousand).

During the year the Group effected reclassifications from intangible assets under construction to industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights, amounting to €152,119 thousand, reflecting the completion and commissioning of software and the upgrade of existing software.

tab. A3.1 - Intangible assets held under finance leases

Item	At 31 December 2014			At 31 December 2013		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	16,023	(790)	15,233	20,475	(17,714)	2,761
Assets under construction and prepayments	-	-	-	4,308	-	4,308
Total	**16,023**	**(790)**	**15,233**	**24,783**	**(17,714)**	**7,069**

The balance of Industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights reflects the cost of €16,023 thousand (of which €4,308 thousand reclassified from assets under construction) incurred for the new IT platform for the development of the Full MVNO (*Mobile Virtual Network Operator*) project, which was obtained by Poste Mobile SpA under a finance lease. The new platform is amortised over a ten-year period.

The supply agreement entered into in 2007, in relation to the hardware and software platform used by Poste Mobile SpA to produce virtual mobile operator services, expired on 31 December 2014. The software components, obtained under a finance lease and carried at cost at €20,475 thousand (fully amortised by the company at 31 December 2014), have become the company's property.

Goodwill, as shown in the following table, includes the higher amounts paid net of accumulated amortisation through to 1 January 2004 for the acquisitions and subsequent mergers of companies mainly carried out by the subsidiaries, Postel SpA and PostelPrint SpA. The item also includes "Goodwill arising from consolidation", generated by the process of eliminating the value of investments consolidated on a line-by-line basis, representing differences between the acquisition price and the fair value of the assets acquired and liabilities assumed.

tab. A3.2 - Goodwill

Name	Balance at 31 December 2014	Balance at 31 December 2013
Postel SpA	45,000	45,000
BdM - MCC SpA	1,757	1,757
Total	**46,757**	**46,757**

Goodwill has been tested for impairment in accordance with the relevant accounting standards. Based on the prospective information available and the impairment tests conducted, it has not been necessary to recognise impairment losses in the consolidated financial statements.

A4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

tab. A4 - Investments

Item	Balance at 31 December 2014	Balance at 31 December 2013
Investments in subsidiaries	544	2,998
Investments in joint ventures	52	48
Investments in associates	502	5,565
Total	**1,098**	**8,611**

Movements in investments accounted for using the equity method during the year are as follows:

tab. A4.1 – Movements in investments

Movements in investments accounted for using the equity method in the year ended 31 December 2014

Investments	Balance at 1 January 2014	Additions/ (Reductions)	Changes in scope of consolidation	Adjustments		Balance at 31 December 2014
				accounted for using the equity method	dividend adjustments	
in subsidiaries						
Address Software Srl	165	-	-	17	-	182
Italo-Brasil Holding SA	-	-	-	-	-	-
Kipoint SpA	395	-	-	(33)	-	362
PatentiViaPoste ScpA	104	-	(104)	-	-	-
Poste Holding Participações do Brasil Ltda	9	391	-	(400)	-	-
Poste Tributi ScpA	2,325	-	(2,325)	-	-	-
Total subsidiaries	**2,998**	**391**	**(2,429)**	**(416)**	**-**	**544**
in joint ventures						
Uptime SpA [1]	48	-	-	4	-	52
Total joint ventures	**48**	**-**	**-**	**4**	**-**	**52**
in associates						
Docugest SpA	5,067	(4,502)	-	(565)	-	-
ItaliaCamp Srl	-	2	-	-	-	2
Telma - Sapienza Scarl [1]	489	-	-	2	-	491
Other SDA group associates [2]	9	-	-	-	-	9
Total associates	**5,565**	**(4,500)**	**-**	**(563)**	**-**	**502**
Total	**8,611**	**(4,109)**	**(2,429)**	**(975)**	**-**	**1,098**

(1) Measurement using the equity method refers to the alignment of the value of the investment to equity as reported at 31 December 2013.
(2) The other SDA Express Courier associates are: Epiemme srl dormant, International Speedy Srl in liquidation , MDG Express Srl, Speedy Express Courier Srl, T.W.S. Express Courier Srl

Movements in investments accounted for using the equity method in the year ended 31 December 2013

Investments	Balance at 1 January 2013	Additions/ (Reductions)	Changes in scope of consolidation	Adjustments		Balance at 31 December 2013
				accounted for using the equity method	dividend adjustments	
in subsidiaries						
Address Software Srl	126	-	-	39	-	165
Docutel SpA	1,377	-	(1,377)	-	-	-
Kipoint SpA	503	-	-	(108)	-	395
PatentiViaPoste ScpA	104	-	-	-	-	104
Poste Holding Participações do Brasil Ltda	-	9	-	-	-	9
Poste Tributi ScpA	2,325	-	-	-	-	2,325
Total subsidiaries	**4,435**	**9**	**(1,377)**	**(69)**	**-**	**2,998**
in joint ventures						
Uptime SpA [1]	34	-	-	14	-	48
Total joint ventures	**34**	**-**	**-**	**14**	**-**	**48**
in associates						
Docugest SpA [1]	4,857	-	-	210	-	5,067
Telma - Sapienza Scarl [1]	487	-	-	2	-	489
Other SDA group associates [2]	9	-	-	-	-	9
Total associates	**5,353**	**-**	**-**	**212**	**-**	**5,565**
Total	**9,822**	**9**	**(1,377)**	**157**	**-**	**8,611**

(1) Measurement using the equity method refers to the alignment of the value of the investment to equity as reported at 31 December 2012.
(2) The other SDA Express Courier associates are Epiemme srl dormant, G.T.E. Transport Srl in liquidation, I.C.S. Srl, International Speedy Srl in liquidation , MDG Express Srl, Speedy Express Courier Srl, T.W.S. Express Courier Srl.

On 4 July 2014, Postel SpA sold 662,151 shares held in Docugest SpA for €4,502 thousand, following exercise of a call option by another shareholder.

On 29 May 2014 Poste Italiane SpA purchased 20% of Italia Camp Srl for €2,000.

Movements in investments in subsidiaries are described in note 3.2.

A5 - FINANCIAL ASSETS

The following table provides a breakdown of financial assets at 31 December 2014:

tab. A5 - Financial assets

Financial assets

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	1,189,465	7,708,090	8,897,555	642,246	7,187,281	7,829,527
Held-to-maturity financial assets	12,697,970	1,401,716	14,099,686	13,787,533	1,433,629	15,221,162
Available-for-sale financial assets	96,673,868	10,472,880	107,146,748	82,821,059	1,991,878	84,812,937
Financial assets at fair value through profit or loss	10,748,814	1,406,210	12,155,024	8,913,898	1,359,935	10,273,833
Derivative financial instruments	365,822	21,657	387,479	313,519	15,631	329,150
Total	**121,675,939**	**21,010,553**	**142,686,492**	**106,478,255**	**11,988,354**	**118,466,609**

Financial assets by operating segment

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
FINANCIAL SERVICES	40,969,278	11,483,883	52,453,161	38,258,628	9,518,942	47,777,570
Loans and receivables	1,104,367	7,514,091	8,618,458	626,477	6,918,904	7,545,381
Held-to-maturity financial assets	12,697,970	1,401,716	14,099,686	13,787,533	1,433,629	15,221,162
Available-for-sale financial assets	27,007,492	2,546,419	29,553,911	23,741,087	1,150,778	24,891,865
Derivative financial instruments	159,449	21,657	181,106	103,531	15,631	119,162
INSURANCE SERVICES	80,052,976	9,344,722	89,397,698	67,609,008	2,045,983	69,654,991
Loans and receivables	-	23,471	23,471	-	11,316	11,316
Available-for-sale financial assets	69,097,789	7,915,041	77,012,830	58,485,122	674,732	59,159,854
Financial assets at fair value through profit or loss	10,748,814	1,406,210	12,155,024	8,913,898	1,359,935	10,273,833
Derivative financial instruments	206,373	-	206,373	209,988	-	209,988
POSTAL AND BUSINESS SERVICES	653,685	181,948	835,633	610,619	423,429	1,034,048
Loans and receivables	85,098	170,528	255,626	15,769	257,061	272,830
Available-for-sale financial assets	568,587	11,420	580,007	594,850	166,368	761,218
Total	**121,675,939**	**21,010,553**	**142,686,492**	**106,478,255**	**11,988,354**	**118,466,609**

Financial assets by operating segment break down as follows:

- Financial services, relate primarily to the financial assets of BancoPosta RFC[21], the subsidiary BancoPosta Fondi SpA SGR and BdM-MCC SpA;
- Insurance services, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;

[21] The operations in question regard the financial services provided by the Parent Company pursuant to Presidential Decree 144/2001, which from 2 May 2011 are attributable to the ring-fenced capital, and which relate to the management of postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions on the investment of the liquidity in compliance with the applicable legislation, and the management of collections and payments on behalf of third parties. Private customer deposits can only be used to purchase euro zone government securities. Conversely, funds deposited by Public Sector entities are placed with the Ministry of the Economy and Finances at a variable rate of interest linked to a basket of government securities and money market indices, in accordance with a specific agreement with the MEF regarding treasury services. Collection and payment services on behalf of third parties include the collection of postal savings (Postal Savings Books and Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Sector entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, within two bank working days of the transaction date.

- Postal and Business services, representing all the other financial assets of the Group.

FINANCIAL SERVICES

Loans and receivables

tab. A5.1 - Loans and receivables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	1,104,367	183,205	1,287,572	626,477	90,743	717,220
Receivables	-	7,330,886	7,330,886	-	6,828,161	6,828,161
Amounts deposited with MEF	-	5,467,139	5,467,139	-	5,078,026	5,078,026
MEF on behalf of the Italian Treasury	-	662,963	662,963	-	1,008,096	1,008,096
Other financial receivables	-	1,200,784	1,200,784	-	742,039	742,039
Total	**1,104,367**	**7,514,091**	**8,618,458**	**626,477**	**6,918,904**	**7,545,381**

At 31 December 2014, loans amounting to €1,287,572 thousand, relating entirely to BdM-MCC SpA, reflect loans and financing provided to companies and, to a lesser extent, to individuals. The increase on the previous year was due to the use of different distribution channels and the development of different loan products. The fair value[22] of these loans is €1,498,753 thousand.

The loans in question have been posted as collateral totalling of €596,694 thousand. Specifically:

- €559,383 thousand, together with part of the available-for-sale portfolio (tab A.5.2.1), were given as collateral for a short-term loan of €800,000 (note B8) within the scope of the open-market operations launched by the ECB through national central banks;
- €37,311 thousand for a loan provided by Cassa Depositi e Prestiti, totalling €89,837 thousand.

Receivables amount to €7,330,886 thousand, reflecting:

- Amounts deposited with the MEF, totalling €5,467,139 thousand, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds and money market indices.
- The balance of the Parent Company's MEF account, held at the Italian Treasury, amounting to €662,963 thousand, consisting of:

tab. A5.1.1 - MEF on behalf of the Italian Treasury

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Balance of cash flows for advances	-	905,298	905,298	-	1,192,870	1,192,870
Balance of cash flows from management of postal savings	-	(49,361)	(49,361)	-	7,416	7,416
Amounts payable due to theft	-	(159,113)	(159,113)	-	(158,329)	(158,329)
Amounts payable for operational risks	-	(33,861)	(33,861)	-	(33,861)	(33,861)
Total	**-**	**662,963**	**662,963**	**-**	**1,008,096**	**1,008,096**

The *balance of cash flows for advances*, amounting to €905,298 thousand, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

22 In term of the fair value hierarchy, which reflects the relevance of the sources used to measure this item, this amount qualifies for level 3.

tab. A5.1.1 a) - Balance of cash flows for advances

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	-	917,898	917,898	-	1,199,227	1,199,227
MEF postal current accounts and other payables	-	(672,214)	(672,214)	-	(672,869)	(672,869)
Ministry of Justice - Orders for payment	-	(12,319)	(12,319)	-	(2,187)	(2,187)
MEF - State pensions	-	671,933	671,933	-	668,699	668,699
Total	**-**	**905,298**	**905,298**	**-**	**1,192,870**	**1,192,870**

The *balance of cash flows from the management of postal savings*, amounting to a negative €49,361 thousand, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2014 consists of €107,579 thousand payable to Cassa Depositi e Prestiti, less €58,218 thousand receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from post offices regard the Parent Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud, totalling €159,113 thousand. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate. Movements in this liability during the year are as follows:

tab. A5.1.1 b) - Movements in amounts payable due to theft

	Note	2014	2013
Balance at 1 January		**158,329**	**159,708**
Amounts payable for thefts during the year	[tab. C11]	5,856	6,265
Repayments made		(5,072)	(7,644)
Balance at 31 December		**159,113**	**158,329**

During 2014, Poste Italiane SpA made repayments to the Italian Treasury for thefts that took place up to 31 December 2013 and in the first half of 2014, totalling €2,790 thousand and €2,282 thousand, respectively.

Amounts payable for operational risks (€33,861 thousand) regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset underrecovery is certain or probable. Movements in these payables are as follows:

tab. A5.1.1 c) - Movements in amounts payable to the Italian Treasury for operational risks

	2014		2013	
Balance at 1 January		**33,861**		**35,314**
New payables for operational risks	2,502		3,111	
Operational risks that did not occur	(709)		(3,485)	
		1,793		(374)
Repayments made		(1,816)		(2,729)
Reclassifications from Provisions for disputes		23		1,650
Balance at 31 December		**33,861**		**33,861**

- Other financial receivables of €1,200,784 thousand break down as follows:

tab. A5.1.2 - Other financial receivables

Item	Balance at 31 December 2014	Balance at 31 December 2013
Guarantee deposits	891,647	344,365
Other amounts to be charged to customers	176,246	270,491
Cheques drawn on third parties to be debited to customer accounts or avaiting settlement	71,169	73,180
BancoPosta ATM withdrawals to be debited to customer accounts	28,888	23,727
Items awaiting settlement with the banking system	19,263	20,725
Other receivables	13,571	9,551
Total	**1,200,784**	**742,039**

Guarantee deposits, totalling €891,647 thousand, relate to sums provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes).

Other amounts to be charged to customers, amounting to €176,246 thousand, primarily regard the use of debit cards issued by BancoPosta, totalling €45,902 thousand, cheques and other collection items settled in the clearing house of €91,952 thousand, and amounts due from commercial partners, totalling €19,109 thousand, for providing PostePay top-ups.

Investments in securities and equity instruments

The following table shows a breakdown of investments in securities and equity instruments:

tab. A5.2 - Investments in securities and equity instruments

Item	Note	Balance at 31 December 2014			Balance at 31 December 2013		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Held-to-maturity financial assets		12,697,970	1,401,716	14,099,686	13,787,533	1,433,629	15,221,162
Fixed income instruments	[tab. A5.2.1]	12,697,970	1,401,716	14,099,686	13,787,533	1,433,629	15,221,162
Available-for-salefinancial assets		27,007,492	2,546,419	29,553,911	23,741,087	1,150,778	24,891,865
Fixed income instruments	[tab. A5.2.1]	26,951,062	2,546,419	29,497,481	23,693,675	1,150,778	24,844,453
Equity instruments		56,430	-	56,430	47,412	-	47,412
Total		**39,705,462**	**3,948,135**	**43,653,597**	**37,528,620**	**2,584,407**	**40,113,027**

Investments in securities relate to investments in Italian government securities with a nominal value of €38,429,260 thousand, held primarily by BancoPosta RFC[23] and to a lesser extent by BdM-MCC SpA and BancoPosta Fondi SpA SGR.

[23] The Company is required to invest all funds raised through deposits paid into postal current accounts by private customers in euro area government securities. As a result, the composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes is based on an appropriate statistical model developed for Poste Italiane SpA by a leading market operator. An Asset & Liability Management system has been developed to manage the relationship between customer deposits and investments.

Movements in investments in securities in 2013 and 2014 are as follows:

tab. A5.2.1 - Movements in investment securities

Securities	HTM		AFS		FVPL		TOTAL	
	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 31 December 2012	**13,902,650**	**14,048,068**	**22,055,960**	**23,028,622**	**-**	**-**	**35,958,610**	**37,076,690**
Purchases		3,863,296		8,456,716		1,455,467		13,775,479
Transfers to equity		-		(219,169)		-		(219,169)
Change in amortised cost		3,903		23,300		-		27,203
Changes in fair value through equity		-		884,998		-		884,998
Changes in fair value through profit or loss		-		(236,691)		-		(236,691)
Changes in cash flow hedge transactions*		1,439		42,457		-		43,896
Effect of sales on profit or loss		1,004		315,159		9,256		325,419
Accrued income		227,513		292,006		-		519,519
Sales, redemptions and settlement of accrued income		(2,924,061)		(7,742,945)		(1,464,723)		(12,131,729)
Balance at 31 December 2013	**14,913,550**	**15,221,162**	**23,263,010**	**24,844,453**	**-**	**-**	**38,176,560**	**40,065,615**
Purchases		102,651		8,064,232		543,249		8,710,132
Transfers to equity		-		(243,466)		-		(243,466)
Change in amortised cost		3,209		(5,892)		-		(2,683)
Changes in fair value through equity		-		1,775,187		-		1,775,187
Changes in fair value through profit or loss		-		1,327,676		-		1,327,676
Changes in cash flow hedge transactions*		-		12,501		-		12,501
Effect of sales on profit or loss		-		391,951		1		391,952
Accrued income		207,512		294,842		-		502,354
Sales, redemptions and settlement of accrued income		(1,434,848)		(6,964,003)		(543,250)		(8,942,101)
Balance at 31 December 2014	**13,807,550**	**14,099,686**	**24,621,710**	**29,497,481**	**-**	**-**	**38,429,260**	**43,597,167**

* Changes in cash flow hedge transactions, referring to forward purchases in connection with cash flow hedges, reflect changes in the fair value of securities between the purchase date and the settlement date through other comprehensive income (the "Cash flow hedge reserve").

At 31 December 2014, the fair value[24] of the held-to-maturity portfolio, accounted for at amortised cost, is €16,263,412 thousand (including €207,512 thousand in accrued interest).

Securities with a nominal value of €6,440.861 thousand are encumbered as follows:

- €5,373,962 thousand used as collateral for repurchase agreements;
- €596,899 thousand used as collateral for asset swaps;
- €470,000 thousand used delivered to the Bank of Italy as collateral for intraday credit extended to the Parent Company.

The fair value of the available-for-sale portfolio is €29,497,481 thousand (including €294,842 thousand in accrued interest). Part of the overall fair value gain for the period of €3,102,863 thousand has been recognised in the relevant equity reserve (€1,775,187 thousand) in relation to the portion of the portfolio not hedged by fair value hedges. The remainder of the gain (€1,327,676 thousand) relating to the hedged portion is recognised through profit or loss.

Securities with a nominal value of €540,810 thousand are encumbered as follows:

- €538,000 thousand used by BdM-MCC SpA as collateral for a short-term loan of €800,000 thousand (note B.8) through the open market operations promoted by the ECB through national Central Banks;
- €2,810 thousand used as collateral for the participation of BdM-MCC SpA in subsidised financing projects.

Investments in equity instruments are attributable to BancoPosta RFC and primarily include €53,958 thousand relating to the fair value of 756,280[25] class B shares in MasterCard Incorporated. These equity instruments are not quoted on a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired.

Fair value gains of €9,018 thousand have been recognised in the relevant equity reserve (section B4)

[24] In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

[25] On 21 January 2014, Mastercard Incorporated carried out a stock split, allocating each shareholder 10 new shares for every existing share held, without any dilutive effects or changes to the relevant value.

Derivative financial instruments

At 31 December 2014, derivative financial instruments attributable to the Financial services segment, amounting to €181,106 thousand, include €48,601 thousand attributable to BancoPosta RFC and €132,505 thousand to BdM-MCC SpA.

The following table shows movements in the derivative instruments attributable to BancoPosta RFC:

tab. A5.3 - Movements in derivative financial instruments

	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2013	**800,000**	**12,157**	**2,583,750**	**(211,999)**	**3,700,000**	**(604,117)**	**-**	**-**	**-**	**-**	**7,083,750**	**(803,959)**
Increases/(decreases) *	450,000	31,739	-	156,476	200,000	221,735	602,224	25,067	1,040,000	(2,738)	2,292,224	432,279
Discontinued CFHs	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) through profit or loss **	-	-	-	846	-	172	-	-	-	-	-	1,018
Transactions settled ***	(1,250,000)	(43,896)	(358,750)	(16,932)	-	14,933	(602,224)	(25,067)	(1,040,000)	2,738	(3,250,974)	(68,224)
Balance at 31 December 2013	**-**	**-**	**2,225,000**	**(71,609)**	**3,900,000**	**(367,277)**	**-**	**-**	**-**	**-**	**6,125,000**	**(438,886)**
Increases/(decreases) *	225,000	12,501	-	131,369	3,575,000	(1,337,957)	400,000	3	-	-	4,200,000	(1,194,084)
Discontinued CFHs	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) through profit or loss **	-	-	-	202	-	(1,230)	-	-	-	-	-	(1,028)
Transactions settled ***	(225,000)	(12,501)	(525,000)	(59,350)	(180,000)	34,241	(400,000)	(3)	-	-	(1,330,000)	(37,613)
Balance at 31 December 2014	**-**	**-**	**1,700,000**	**612**	**7,295,000**	**(1,672,223)**	**-**	**-**	**-**	**-**	**8,995,000**	**(1,671,611)**
of which												
Derivative assets	-	-	625,000	48,601	-	-	-	-	-	-	625,000	48,601
Derivative liabilities	-	-	1,075,000	(47,989)	7,295,000	(1,672,223)	-	-	-	-	8,370,000	(1,720,212)

* Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

** Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial and insurance activities.

*** Transactions settled include forward transactions settled, accrued differentials and the settlement of asset swaps linked to securities sold.

During the year under review, the effective portion of interest rate hedging instruments recorded an overall fair value gain of €143,870 thousand reflected in the cash flow hedge reserve. Moreover, during 2014 the Parent Company settled asset swaps used as cash flow hedges for securities sold, with a nominal amount of €525,000 thousand.

The fair value hedges in place, which are held to limit the price volatility of certain available-for-sale fixed rate instruments, saw their effective portion record a decrease in fair value of €1,337,957 thousand, whilst the hedged securities (tab. A5.2.1) recorded a fair value gain of €1,327,676 thousand, with the difference of €10,281 thousand due to paid or accruing differentials.

In the year under review, the Parent Company carried out the following transactions:

- entered into new asset swaps used as fair value hedges with a nominal value of €3,575,000 thousand;
- settled asset swaps used as fair value hedges for securities sold, with a nominal value of €180,000 thousand.

Movements in derivative instruments attributable to BdM-MCC SpA are as follows:

tab. A5.4 - Movements in derivative financial instruments

	Year ended 31 December 2014				Year ended 31 December 2013			
	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January	-	87,062	13	**87,075**	-	107,185	-	**107,185**
Increases/(decreases)	-	55,257	-	55,257	-	(10,241)	13	(10,228)
Gains/(Losses) through profit or loss	-	7	(4)	3	-	(4)	-	(4)
Transactions settled	-	(9,830)	-	(9,830)	-	(9,878)	-	(9,878)
Balance at 31 December 2014	**-**	**132,496**	**9**	**132,505**	**-**	**87,062**	**13**	**87,075**
of which:								
Derivative assets	-	132,496	9	**132,505**	-	87,062	13	**87,075**
Derivative liabilities	-	-	-	**-**	-	-	-	**-**

The positive fair value of €132,496 thousand for derivatives designated as fair value hedges refers to the value of four interest rate swap contracts used to hedge bonds issued by BdM-MCC SpA (tab. B8), with a nominal value of €346,307 thousand. These instruments recorded a net fair value gain of €55,257 thousand, whilst the hedged bonds recorded a fair value loss of €45,227 thousand. The difference of €10,030 thousand, due to the differentials for the period, was recognised through profit or loss.

INSURANCE SERVICES

Receivables

Receivables of €23,471 thousand relate to subscription of and payment for unissued units of mutual investment funds by Poste Vita SpA.

Available-for-sale financial assets

Movements in available-for-sale financial assets are as follows:

tab. A5.5 - Movements in available-for-sale financial assets

	Fixed income instruments		Other investments	Equity instruments	Total
	Nominal value	Fair value	Fair value	Fair value	Fair value
Balance at 1 January 2013	**44,665,918**	**45,752,204**	**2,168,169**	**4,526**	**47,924,899**
Purchases		21,133,035	495,857	891	21,629,783
Transfers to equity		(131,228)	92,715	29	(38,484)
Changes in amortised cost		290,393	-	-	290,393
Fair value gains and losses through equity		1,222,826	(4,817)	556	1,218,565
Transfers to profit or loss		156,852	(11,898)	(16)	144,938
Accrued income		651,190	-	-	651,190
Sales, redemptions and settlement of accrued income		(11,457,613)	(1,203,115)	(702)	(12,661,430)
Balance at 31 December 2013	**57,905,750**	**57,617,659**	**1,536,911**	**5,284**	**59,159,854**
Purchases		21,779,641	75,666	4,949	21,860,256
Transfers to equity		(172,740)	13,962	1,423	(157,355)
Changes in amortised cost		275,711	-	-	275,711
Fair value gains and losses through equity		6,868,463	(4,219)	308	6,864,552
Transfers to profit or loss		348,512	(15,676)	(1,413)	331,423
Accrued income		704,201	-	-	704,201
Sales, redemptions and settlement of accrued income		(11,909,741)	(113,552)	(2,519)	(12,025,812)
Balance at 31 December 2014	**68,684,620**	**75,511,706**	**1,493,092**	**8,032**	**77,012,830**

The Group recorded fair value gains of €6,864,552 thousand in relation to its available-for-sale financial assets, as follows:

- net gains of €6,856,623 thousand deriving from the measurement of securities held by Poste Vita SpA, of which €6,705,596 thousand was transferred to policyholders, with a contra-entry made in technical provisions in accordance with the shadow accounting method;
- net fair value gains on the securities held by Poste Assicura SpA, totalling €7,929 thousand.

The above changes in the fair value of available-for-sale financial assets during 2014 had a net positive impact on the relevant equity reserve of €158,956 thousand (tab. B4).

Fixed income instruments relate primarily to investments held by Poste Vita SpA, totalling €75,394,694 thousand (nominal value of €68,576,220 thousand) issued by European governments and European blue-chip companies. These instruments are mainly intended to cover separately managed funds where, under the shadow method of accounting applied, unrealised gains and losses are entirely transferred to policyholders and recognised in technical provisions. The remaining amount is used to fund specific assets related to Branch I policies and the insurance company's investment of free capital. These fixed income instruments comprise bonds issued by CDP SpA, with a fair value of €1,820,572 thousand (a nominal value of €1,640,500 thousand). Of these, €541,101 thousand are used to cover specific asset products.

The remaining balance is represented by the fair value of fixed income instruments, totalling €117,012 thousand, held by Poste Assicura SpA.

Other investments relate to units of mutual investment funds, totalling €1,493,092 thousand, of which €1,068.971 thousand consists of equity funds and €378,643 thousand of bond funds subscribed to entirely by Poste Vita SpA and allocated to the insurance company's separately managed accounts. The remaining balance is represented by the fair value of units of property funds, totalling €45,478 thousand.

Equity instruments relate to the investments held by Poste Vita SpA, totalling €8,032 thousand, associated with Branch I products related to separately managed accounts.

Financial instruments at fair value through profit or loss

Movements in financial instruments at fair value through profit or loss are as follows:

tab. A5.6 - Movements in financial instruments at fair value through profit or loss

	Fixed income instruments		Structured bonds		Other investments	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2013	**7,129,012**	**6,152,553**	**2,793,139**	**3,102,351**	**708,679**	**9,963,583**
Purchases		465,841		500,000	50,347	1,016,188
Fair value gains and losses through profit or loss		156,157		156,878	15,562	328,597
Accrued income		8,646		-	-	8,646
Effect of sales on profit or loss		264,756		42,712	449	307,917
Sales/Settlement of accrued income		(487,207)		(818,689)	(45,202)	(1,351,098)
Balance at 31 December 2013	**7,106,167**	**6,560,746**	**2,574,248**	**2,983,252**	**729,835**	**10,273,833**
Purchases		1,026,941		-	1,814,643	2,841,584
Fair value gains and losses through profit or loss		490,653		173,148	20,969	684,770
Accrued income		18,787		417	-	19,204
Effect of sales on profit or loss		11,128		13,622	1,058	25,808
Sales/Settlement of accrued income		(737,831)		(803,403)	(148,941)	(1,690,175)
Balance at 31 December 2014	**7,404,065**	**7,370,424**	**1,965,205**	**2,367,036**	**2,417,564**	**12,155,024**

These financial instruments are held by the subsidiary, Poste Vita SpA, and relate to:

- fixed income securities, amounting to €7,370,424 thousand and consisting of €6,032,746 thousand in coupon stripped BTPs acquired to cover the contractual obligations arising on Branch III insurance policies, while the balance of €1,337,678 thousand is primarily made up of corporate bonds issued by blue-chip companies and primarily linked to separately managed accounts;
- structured bonds, amounting to €2,367,036 thousand and relating to investments whose returns are linked to particular market indices, primarily designed to cover the insurance obligations to the holders of Branch III index-linked policies; such financial instruments include bonds issued by CDP SpA with a fair value of €550,968 thousand (nominal amount of €500,000 thousand) associated with Branch I policies;
- other investments, amounting to €2,417,564 thousand and relating to units of mutual investment funds. These instruments include €1,798,231 thousand invested in the *Blackrock Diversified Distribution Fund*, a UCITS, during 2014 in relation to Branch I products, with the aim of diversifying the insurance business's exposure to government bonds and, in the meantime, to secure consistent returns for policyholders (see note 3.7 on "Unconsolidated structured entities"). Other investments are used to cover Branch III unit-linked products, totalling €616,408 thousand.

Derivative financial instruments

At 31 December 2014, outstanding instruments primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Branch III policies with a *fair value* of €206,373 thousand and a nominal amount of €5,658 million di euro. The reduction in the overall fair value of €3,615 thousand is due to sales of €17,599 thousand in the fourth quarter of 2014 and an increase in fair value of €13,984 thousand.

Details of the Group's warrants are as follows:

tab. A5.7 - Warrants

	At 31 December 2014		At 31 December 2013	
Policy	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Alba	729,951	16,314	787,244	16,320
Terra	1,375,271	29,307	1,470,339	26,628
Quarzo	1,276,749	29,673	1,381,607	27,273
Titanium	672,050	28,838	721,107	31,664
Arco	178,453	25,765	200,000	28,160
Prisma	178,896	21,666	197,421	23,495
6Speciale	200,000	-	200,000	240
6Aavanti	200,000	-	200,000	220
6Sereno	184,646	13,527	200,000	14,010
Primula	187,332	12,688	200,000	13,054
Top5	236,612	12,647	250,000	13,300
Top5 edizione II	238,037	15,948	250,000	15,625
Total	**5,657,997**	**206,373**	**6,057,718**	**209,988**

POSTAL AND BUSINESS SERVICES

Loans and receivables

These amount to €255,626 thousand and consist of loans of €75,214 thousand and receivables of €180,412 thousand.

Loans include €75 million in Contingent Convertible Notes[26], subscribed on 23 December 2014 by Poste Italiane SpA, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI SpA[27]. The Notes were issued by Midco SpA, which in turn owns 51% of Alitalia SAI. The Contingent Convertible Notes, with a twenty-year term to maturity starting 1 January 2015, carry a nominal rate of interest of 7% per annum. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. At the date of preparation of this Annual Report for 2014, based on the Alitalia Group's business plan, a reasonable estimate of the effective interest rate payable on the Notes amounts to approximately 4.6%.

Receivables, almost entirely attributable to the Parent Company, break down as follows:

tab. A5.8 - Receivables

	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from MEF	945	115,844	116,789	3,059	221,828	224,887
repayment of loans accounted for in liabilities	945	115,844	116,789	3,059	218,198	221,257
repayment of interest on loan Law 887/84	-	-	-	-	3,630	3,630
Guarantee deposits	-	54,450	54,450	-	29,595	29,595
Due from the purchasers of service accommodation	9,149	-	9,149	12,705	-	12,705
Due from others	2	332	334	5	391	396
Provisions for doubtful debts	-	(310)	(310)	-	(391)	(391)
Total	**10,096**	**170,316**	**180,412**	**15,769**	**251,423**	**267,192**

The amount due from the MEF, totalling €116,789 thousand, refers to the repayment of loans provided in the past by Cassa Depositi e Prestiti to the former Postal and Telecommunications Administration for investments made by the latter between 1975 and 1993. On conversion of the former Public Entity into a joint-stock company, the accounts payable to Cassa Depositi e Prestiti (the provider of the loans) and the accounts receivable from the MEF, to which the relevant laws assigned the burden of repayment of the principal, were posted in the accounts. This receivable (with a fair value[28] of €116,957 thousand at 31 December 2014) is represented by the amortised cost[29] of the receivable with a nominal value of €116,976 thousand, which is expected to be collected by 2016. During 2014, the Parent Company collected receivables with a nominal value of €109,442 thousand and recognised interest income for the year, as calculated on the present value of the receivables, of €4,974 thousand. The difference of €113,954 thousand between the nominal value of the receivable and the nominal value of the payable of €3,381 thousand

[26] This is a loan convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument pursuant to art. 2346 of the Italian Civil Code, carrying the same rights associated with the loan.

[27] This is the so-called "Nuova Alitalia", the company to which all the aviation assets and activities of Alitalia Compagnia Aerea Italiana SpA, now CAI SpA, have been transferred. The company owns 100% of Midco SpA.

[28] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

[29] The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

(tab. B8), corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2014 and not yet repaid by the MEF.

Guarantee deposits of €54,450 thousand relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

Available-for-sale financial assets

Available-for-sale financial assets, held primarily by the Parent Company, and the related movements break down as follows:

tab. A5.9 - Movements in available-for-sale financial assets

	Fixed income instruments		Other investments		Equity instruments	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2013	**500,000**	**502,837**	**5,000**	**4,245**	**5,322**	**512,404**
Purchases		156,343		-	75,000	231,343
Redemptions		-		-	-	-
Transfers to equity reserves		-		-	-	-
Changes in amortised cost		(3,561)		-	-	(3,561)
Fair value gains and losses through equity		32,747		757	-	33,504
Fair value gains and losses through profit or loss		(15,104)		-	-	(15,104)
Effects of sales on profit or loss		-		-	-	-
Accrued income		8,440		-	-	8,440
Sales and settlement of accrued income		(5,807)		-	-	(5,807)
Balance at 31 December 2013	**650,000**	**675,895**	**5,000**	**5,002**	**80,322**	**761,219**
Purchases		-		-	14	14
Redemptions		(150,000)		-	-	(150,000)
Transfers to equity reserves		-		-	-	-
Changes in amortised cost		(2,121)		-	-	(2,121)
Impairments		-		-	(75,168)	(75,168)
Fair value gains and losses through equity		21,962		610	-	22,572
Fair value gains and losses through profit or loss		26,124		-	-	26,124
Effects of sales on profit or loss		-		-	-	-
Accrued income		5,807		-	-	5,807
Sales and settlement of accrued income		(8,440)		-	-	(8,440)
Balance at 31 December 2014	**500,000**	**569,227**	**5,000**	**5,612**	**5,168**	**580,007**

Fixed income instruments regard BTPs with a total nominal value of €500,000 thousand (*fair value* of €569,227 thousand). Of these, instruments with a value of €375,000 thousand have been hedged using asset swaps designated as fair value hedges. All these instruments are encumbered, as they have been delivered to counterparties in repurchase agreements (tab. B8.1).

Other investments relate to units of equity mutual investment funds with a fair value of €5,612 thousand.

Equity instruments primarily reflects the historical cost of the 15% interest in Innovazione e Progetti ScpA, which is in liquidation. The carrying amount of €4,500 thousand is unchanged with respect to the previous year.
Poste Italiane's 19.48%[30] equity interest in CAI SpA (formerly Alitalia-CAI SpA), acquired on 23 December 2013 for €75,000 thousand, was written off during the year under review. The impairment takes into account a deterioration in the operating performance, reflecting the impact of external events and circumstances beyond the airline's control, which have prevented it from achieving the targets set out in its business plan.

30 On 4 February 2015 - following a further capital increase approved by CAI SpA's shareholders, not subscribed by Poste Italiane SpA – the equity interest fell to 2.99%.

Derivative financial instruments

Movements in derivative assets and liabilities are as follows:

tab. A5.10 - Movements in derivative financial instruments

	2014				2013			
	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January	**-**	**(25,176)**	**(337)**	**(25,513)**	**-**	**(40,074)**	**-**	**(40,074)**
Increases/(decreases)	-	(34,472)	(6,577)	(41,049)	-	6,885	(337)	6,548
Gains/(Losses) through profit or loss	-	15	-	15	-	25	-	25
Transactions settled	-	8,266	267	8,533	-	7,988	-	7,988
Balance at 31 December	**-**	**(51,367)**	**(6,647)**	**(58,014)**	**-**	**(25,176)**	**(337)**	**(25,513)**
of which:								
Derivative assets	-	-	-	**-**	-	-	-	**-**
Derivative liabilities	-	(51,367)	(6,647)	**(58,014)**	-	(25,176)	(337)	**(25,513)**

At 31 December 2014, the derivative financial instruments held by the Parent Company, with fair value losses of €58,014 thousand, included:

- nine asset swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates. These instruments have enabled the Parent Company to sell the fixed rate on the BTPs of 3.75% and purchase a variable rate;
- a swap contract entered into in 2013 to hedge the cash flows of a €50 million bond issued on 25 October 2013 (section B8). The cash flow hedge of this derivative will set in starting in the third year, when the bond will begin to pay a variable interest rate. With this transaction, the Parent Company took on the obligation to pay a fixed rate of 4.035%.

A6 - INVENTORIES

At 31 December 2014, net inventories break down as follows:

tab. A6 - Inventories

Item	Balance at 31 December 2013	Increase/ (decrease)	Balance at 31 December 2014
Properties held for sale	113,928	(2,780)	111,148
Work in progress, semi-finished and finished good and goods for resale	18,496	(5,409)	13,087
Raw, ancillary and consumable materials	12,654	1,696	14,350
Total	**145,078**	**(6,493)**	**138,585**

This item refers mainly to:

- properties held for sale, which include the portion of EGI SpA's real estate portfolio to be sold, whose fair value[31] at 31 December 2014 amounts to approximately €320 million. The changes for the period reflect the adjustment of certain items of property to their fair value.
- Work in progress, semi-finished and finished goods and goods for resale mainly relates to the value of goods to be sold by PosteShop SpA, primarily held at post offices, and stationary and forms used in the Postel Group's e-procurement activities, cell phones and SIMs of PosteMobile, as well as goods owned by the Parent Company on

[31] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

sale in Post Offices; the changes for the period reflect the adjustment of the goods for resale by PosteShop SpA to their realizable value.

- Raw materials and consumables necessary for the printing and packaging activities of the Postel Group.

A7 - TRADE RECEIVABLES

Trade receivables break down as follows:

tab. A7 - Trade receivables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	58,747	2,550,074	2,608,821	108,747	2,564,722	2,673,469
MEF	-	1,148,857	1,148,857	-	1,054,307	1,054,307
Subsidiaries	-	242	242	-	10,174	10,174
Associates	-	2,017	2,017	-	7,314	7,314
Joint ventures	-	121	121	-	129	129
Prepayments to suppliers	-	244	244	-	493	493
Total	**58,747**	**3,701,555**	**3,760,302**	**108,747**	**3,637,139**	**3,745,886**

Receivables due from customers

tab. A7.1 - Receivables due from customers

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	901,118	901,118	-	893,418	893,418
Ministries and Public Sector entities	57,799	705,189	762,988	108,311	655,887	764,198
Unfranked mail delivered and other value added services	21,114	349,794	370,908	21,114	417,156	438,270
Overseas counterparties	-	193,982	193,982	-	198,344	198,344
Parcel express courier and express parcel services	-	192,872	192,872	-	189,807	189,807
Overdrawn current accounts	-	133,855	133,855	-	140,431	140,431
Amounts due for other BancoPosta services	-	79,413	79,413	-	78,197	78,197
Amounts due for management of government subsidies	-	47,967	47,967	-	43,426	43,426
Property management	-	6,505	6,505	-	5,934	5,934
Other trade receivables	296	389,872	390,168	179	371,422	371,601
Provisions for doubtful debts	(20,462)	(450,493)	(470,955)	(20,857)	(429,300)	(450,157)
Total	**58,747**	**2,550,074**	**2,608,821**	**108,747**	**2,564,722**	**2,673,469**

Specifically:

- Amounts due from Cassa Depositi e Prestiti refer to fees and commissions for BancoPosta's deposit-taking activities during the year.
- Amounts due from Ministries and Public Sector entities refer mainly to the following services:
  - Integrated Notification and mailroom services, amounting to €239,436 thousand, rendered to local government authorities (€98,120 thousand), Ministries and related local offices (€69,115 thousand) and Agencies and other central public entities (€72,201 thousand);
  - Pension and other employment related services on behalf of INPS (the National Institute of Social Security), totalling €142,111 thousand;
  - *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office – Publishing department), totalling €99,515 thousand, corresponding to a nominal value of €103,166 thousand and relating to publisher tariff subsidies for the financial years from 2001 to 2010. The receivable is accounted for at its present value to take account of the time it is expected to take to collect the amount due in accordance with the regulations in force. For this reason, the sum of €47,151 thousand (corresponding to a nominal value of €50,802 thousand) is classified in "Non-current assets".
  - Unfranked mail services provided on credit, totalling €78,387 thousand, provided to Ministries and local offices (€48,090 thousand), Agencies and other central government entities (€29,692 thousand), as well as local government authorities;

- Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the *Ministero dello Sviluppo Economico* (Ministry for Economic Development), totalling €67,287 thousand;
- Provision of service to pay legal system expenses, carried out on behalf of *Ministero della Giustizia* (Ministry of Justice) and due to BancoPosta RFC, totalling €19,137 thousand.

- Receivables arising from **unfranked mail delivered and other value added services** refer to bulk mail services and other added value services.
- Receivables from **overseas counterparties** include €193,639 thousand for postal services carried out by the Parent Company for overseas postal operators.
- Receivables for **parcel, express courier and express parcel services** refer to services provided by SDA Express Courier SpA, and to the mailing of parcels by the Parent Company.
- Receivables for **overdrawn current accounts** are amounts due to BancoPosta for temporarily overdrawn current accounts largely due to recurring BancoPosta bank charges, including accumulated sums that BancoPosta is in the process of recovering, which have largely been written down.
- **Amounts due for other Bancoposta services** refer to amounts due on insurance and banking services, personal loans, overdrafts and mortgages sold on behalf of third parties, totalling €54,711 thousand.
- **Receivables arising from public grant management services** refer to fees for services rendered to Government Authorities by Banca del Mezzogiorno – Mediocredito Centrale.
- **Other trade receivables** include: €31,906 thousand related to *Posta Target* services; €29,986 thousand for air transportation services provided by Mistral Air Srl; €27,219 thousand for sales of terminals by Poste Mobile SpA; €26,007 thousand for telegraphic services, €24,379 thousand for Advice and Billing Mail services; €21,744 thousand for *Posta Time* services and €16,988 thousand related to Notification of Legal Process service.

Movements in **provisions for doubtful debts** are as follows:

tab. A7.2 - Movements in provisions for doubtful debts

Item	Balance at 1 January 2013	Net provisions	Deferred revenues	Uses	Balance at 31 December 2013	Net provisions	Deferred revenues	Uses	Balance at 31 December 2014
Overseas postal operators	3,556	4,540	-	-	8,096	(2,891)	-	-	5,205
Public Sector entities	160,085	(980)	3,212	(20,681)	141,636	(10,162)	3,205	(30)	134,649
Private customers	244,787	40,875	-	(2,804)	282,858	40,826	-	(10,198)	313,486
	408,428	44,435	3,212	(23,485)	432,590	27,773	3,205	(10,228)	453,340
Interest on late payments	15,915	7,175	-	(5,523)	17,567	8,305	-	(8,257)	17,615
Total	**424,343**	**51,610**	**3,212**	**(29,008)**	**450,157**	**36,078**	**3,205**	**(18,485)**	**470,955**

Provisions for doubtful debts relating to Public Sector entities regard amounts that may be partially unrecoverable as a result of legislation restricting government spending, delays in payment and problems at debtor entities. During 2014, part of these provisions was released to income following collection of originally doubtful receivables.

Provisions for doubtful debts relating to private customers include the amount set aside attributable to BancoPosta's operations, mainly to cover numerous individually immaterial amounts due from overdrawn current account holders.

Receivables due from the MEF

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

tab. A7.3 - Receivables due from the MEF

Item	Balance at 31 December 2014	Balance at 31 December 2013
Universal Service compensation	1,086,996	751,101
Publisher tariff and electoral subsidies	116,779	156,032
Remuneration of current account deposits	72,223	150,365
Payment for delegated services	28,295	36,418
Payment for distribution of euro coins	6,026	6,026
Other	4,226	4,419
Provisions for doubtful debts due from the MEF	(165,688)	(50,054)
Total	**1,148,857**	**1,054,307**

Specifically:

- Universal Service compensation includes €335,895 thousand accrued in 2014, €342,820 thousand accrued in 2013, €349,888 thousand originally recognised for 2012, €49,730 thousand for the balance of the payment due under the 2009-2011 *Contratto di Programma* (Planning Agreement) and €8,663 thousand for the remaining payments due in relation to 2005. As reported in Note 2.3 – *Use of estimates*, in accordance with the above-mentioned 2015 Stability Law (Law 190/2014), the sums in question will be paid to the extent of the funds available under current legislation, without prejudice to the results of AGCom's assessment of the net cost incurred by Poste Italiane SpA. With Resolution 412/14/CONS of 29 July 2014, AGCom upheld the principle that compensation for the universal service in 2011 and 2012 was unfair and that, as such, should be supplemented through public funds. For 2011, AGCom recognised a net cost of €380,600 thousand, compared to €357,101 thousand recorded by Poste Italiane SpA in accordance with the 2009-2011 Planning Agreement and approved by the European Commission. For the balance of the receivable, amounting to €49,730 thousand, there was no funding in the state budget. For 2012, AGCom recognized a net cost of €327,300 thousand vis-à-vis compensation of €349,888 thousand recorded by the Parent Company. The compatibility of this amount is subject to the approval of the European Commission in connection with the review of the 2012-2014 three-year period. Of the amount in question, €28,288 thousand has no funding in the state budget. On 13 November 2014, Poste Italiane filed an appeal against the AGCom resolution with the Regional Administrative Court. With reference to 2013, pursuant to resolution 493/14/CONS of 9 October 2014, AGCom has begun its assessment of the net cost incurred by the Company.
- Electoral subsidies include €16,747 thousand accruing in 2014, with the remainder attributable to previous years.
- The remuneration of current account deposits refers entirely to amounts accruing in 2014 and largely relates to the deposit of funds deriving from accounts opened by Public Sector entities and attributable to BancoPosta RFC.
- Payments for delegated services relate to fees accrued solely in the year under review for treasury services performed by Bancoposta on behalf of the state in accordance with a special agreement with the MEF, which was renewed on 11 June 2014 for the three-year period 2014-2016.

At 31 December 2014, funds to pay some of the above receivables have not been appropriated in the state budget, which means that the payment is either suspended or deferred (note 2.3). Movements in provisions for doubtful debts due from the MEF are as follows:

tab. A7.4 - Movements in provisions for doubtful debts due from the MEF

	Balance at 1 January 2013	Net provisions	Deferred revenue	Uses	Balance at 31 December 2013	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014
Provisions for doubtful debts	61,948	(11,894)	-	-	50,054	57,179	58,455	-	165,688

Provisions for doubtful debts due from the MEF take account of the potential impact of legislation and other policies regarding the government's management of the public finances, which could affect the collectability of the receivables at the time of recognition. The provisions reflect the best estimate of unrecoverable amounts in view of the fact that these receivables have not been budgeted for by the Government and the related financial impact. Provisions for the year were due to the effects of the measures contained in the 2015 Stability Law (Law 190/2014).

A8 - OTHER RECEIVABLES AND ASSETS

This item breaks down as follows:

tab. A8 - Other receivables and assets

Item	Note	Balance at 31 December 2014			Balance at 31 December 2013		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		1,786,082	566,931	2,353,013	1,325,617	540,607	1,866,224
Receivable from fixed-term contract settlements		161,449	98,412	259,861	191,513	106,458	297,971
Amounts due from social security agencies and pension funds (excluding fixed-term contracts settlements)		-	81,009	81,009	-	78,340	78,340
Amounts that cannot be drawn on due to court rulings		-	81,441	81,441	-	64,425	64,425
Technical provisions attributable to reinsurers		54,403	-	54,403	40,340	-	40,340
Accrued income and prepaid expenses from trading transactions		556	16,104	16,660	802	15,558	16,360
Tax assets		-	13,142	13,142	-	12,680	12,680
Other amounts due from associates		-	-	-	-	44	44
Other amounts due from subsidiaries		-	33	33	-	29	29
Sundry receivables		10,861	123,970	134,831	9,927	113,259	123,186
Provisions for doubtful debts due from others		-	(56,221)	(56,221)	(24)	(52,576)	(52,600)
Other receivables and assets		2,013,351	924,821	2,938,172	1,568,175	878,824	2,446,999
Receivable authorised by 2015 Stability Law, implementing court decision	[B2]	-	535,000	535,000	-	-	-
Interest accrued on IRES refund	[C12.1]	-	70,352	70,352	-	59,576	59,576
Total		**2,013,351**	**1,530,173**	**3,543,524**	**1,568,175**	**938,400**	**2,506,575**

Specifically:

- substitute tax paid refers mainly to:
  - €1,168,918 thousand paid in advance by Poste Vita SpA for the financial years 2010-2014, relating to withholding and substitute tax paid on capital gains on life policies[32];
  - €617,028 thousand charged to holders of Interest-bearing Postal Certificates and Branch III and V insurance policies for stamp duty at 31 December 2014[33]. This amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
  - €305,432 thousand relating to advances paid in relation to stamp duty to be paid in virtual form in 2015 and charged to customers;
  - €160,433 thousand relating to stamp duty charged to Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law;
  - €38,619 thousand to advances paid in relation to withholding tax on interest earned by current account holders for 2014, which is to be recovered from customers;
  - €15,979 thousand due from tax authorities relating to stamp duty paid in virtual form in 2014.
- Amounts due from staff under fixed-term contracts settlements consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012 and 21 March 2013 between Poste Italiane SpA and the trade unions, regarding the re-employment by court order of staff previously employed on

[32] Of the total amount, €334,096 thousand, assessed on the basis of provisions at 31 December 2014, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).

[33] Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

fixed-term contracts. This item refers to receivables with a present value of €259,861 thousand from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2038.

- Amounts that cannot be drawn on due to court rulings include €68,362 thousand in amounts seized and not assigned to creditors, in the process of recovery, and €13,079 thousand in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed.

Movements in the related provisions for doubtful debts are as follows:

tab. A8.1 - Movements in Provisions for doubtfuldebts due from others

Item	Balance at 1 January 2013	Net provisions	Uses	Balance at 31 December 2013	Net provisions	Uses	Balance at 31 December 2014
Public sector entities for sundry services	14,319	(81)	(1,201)	13,037	179	(22)	13,194
Receivables from fixed-term contract	2,189	3,724	-	5,913	(37)	-	5,876
Other receivables	40,852	(6,308)	(894)	33,650	5,906	(2,405)	37,151
Total	**57,360**	**(2,665)**	**(2,095)**	**52,600**	**6,048**	**(2,427)**	**56,221**

A9 - CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Details of this item are as follows:

tab. A9 - Cash and deposits attributable to BancoPosta

Item	Balance at 31 December 2014	Balance at 31 December 2013
Cash and cash equivalents in hand	2,749,948	2,596,677
Cheques	573	50
Bank deposits	122,521	482,966
Total	**2,873,042**	**3,079,693**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€979,517 thousand) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€1,770,431 thousand). Bank deposits relate to BancoPosta RFC's operations and include amounts deposited in an account with the Bank of Italy to be used in interbank settlements, totalling €118,442 thousand.

A10 - CASH AND CASH EQUIVALENTS

tab. A10 - Cash and cash equivalents

Item	Balance at 31 December 2014	Balance at 31 December 2013
Bank deposits and amounts held at the Italian Treasury	759,931	905,474
Deposits with the MEF	933,566	529,414
Cash and cash equivalents in hand	10,268	10,446
Total	**1,703,765**	**1,445,334**

At 31 December 2014, cash deposited with the MEF – held in the so-called buffer account – includes approximately €511,405 thousand in customers' deposits subject to investment restrictions but not yet invested.

Bank deposits and amounts held at the Italian Treasury include €15,849 thousand whose use is restricted by court orders related to different disputes.

A11 - NON-CURRENT ASSETS HELD FOR SALE

tab. A11 - Non-current assets held for sale

	2014	2013
Balance at 1 January		
Cost	-	225
Accumulated depreciation	-	(96)
Impairments	-	-
Carrying amount	**-**	**129**
Movements during the year		
Reclassifications of non-current assets [1]	222	-
Disposals [2]	(222)	(129)
Initial adjustments	-	-
Total movements	**-**	**(129)**
Balance at 31 December		
Cost	-	-
Accumulated depreciation	-	-
Impairments	-	-
Carrying amount	**-**	**-**
Reclassifications [1]		
Cost	494	-
Accumulated depreciation	(272)	-
Impairments	-	-
Total	**222**	**-**
Disposals [2]		
Cost	(494)	(225)
Accumulated depreciation	272	96
Total	**(222)**	**(129)**

EQUITY

B1 - SHARE CAPITAL

The share capital consists of 1,306,110,000 ordinary shares with a par value of €1 each, owned by the MEF, the sole shareholder.

At 31 December 2014 all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Parent Company does not hold treasury shares.

The following table shows a reconciliation of the Parent Company's equity and profit/(loss) for the year with the consolidated amounts:

tab. B1 - Reconciliation of equity

	Equity at 31 December 2014	Changes in equity 2014	Profit (loss) for 2014	Equity at 31 December 2013	Changes in equity 2013	Profit / (loss) for 2013	Equity at 1 January 2013
Financial statements of Poste Italiane SpA	**6,504,923**	**1,017,825**	**56,892**	**5,430,206**	**409,248**	**708,088**	**4,312,870**
- Undistributed profit (loss) of investee companies	**1,887,246**	-	376,855	**1,510,391**	-	278,181	**1,232,210**
- Investments accounted for using the equity method	**219**	-	(975)	**1,195**	-	157	**1,038**
- Balance of FV and CHF reserves of investee companies	**202,128**	76,067	-	**126,061**	49,413	-	**76,648**
- Actuarial gains and losses on employee termination benefits of investee companies	**(5,573)**	(4,172)	-	**(1,401)**	2,240	-	**(3,641)**
- Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	**(34,493)**	-	(5,262)	**(29,231)**	-	(10,668)	**(18,563)**
- Effects of contributions and transfers of business units between Group companies:							
SDA Express Courier SpA	**2,269**	-	-	**2,269**	-	-	**2,269**
EGI SpA	**(64,854)**	-	(2,430)	**(62,424)**	-	500	**(62,924)**
Postel SpA	**16,695**	-	307	**16,388**	-	291	**16,097**
PosteShop SpA	**664**	-	-	**664**	-	-	**664**
- Effects of intercompany transactions (including dividends)	**(246,316)**	-	(235,000)	**(11,316)**	-	-	**(11,316)**
- Elimination of adjustments to value of consolidated companies	**278,781**	-	28,681	**250,100**	-	27,728	**222,372**
- Amortisation until 1 January 2004/Impairment of goodwill	**(126,673)**	-	-	**(126,673)**	-	-	**(126,673)**
- Effects of tax consolidation arrangement	**-**	-	-	**-**	-	(1,020)	**1,020**
- Other consolidation adjustments	**2,982**	-	(7,093)	**10,075**	-	1,620	**8,455**
Equity attributable to owners of the Parent	**8,417,998**	**1,089,720**	**211,975**	**7,116,304**	**460,901**	**1,004,877**	**5,650,526**
- Non-controlling interests (excluding profit/(loss))	291	291	-	**-**	-	-	-
- Non-controlling interests in profit/loss	-	-		**-**	-	-	-
Non-controlling interests in equity	**291**	**291**	**-**	**-**	**-**	**-**	**-**
TOTAL CONSOLIDATED EQUITY	**8,418,289**	**1,090,011**	**211,975**	**7,116,304**	**460,901**	**1,004,877**	**5,650,526**

B2 – SHAREHOLDER TRANSACTIONS

As decided by the General Meeting of shareholders held on 2 May 2014, on 30 May 2014 Poste Italiane SpA paid dividends totalling €500,000 thousand, based on a dividend per share of €0.38.

The other shareholder transactions of €535,000 thousand, as shown in the statement of changes in equity, refer to the recognition of a receivable due from the MEF, as per article 1, paragraph 281 of the 2015 Stability Law (Law 190 of 23 December 2014), for the return of amounts deducted from Poste Italiane SpA's retained earnings on 17 November 2008 and transferred to the MEF, pursuant to the European Commission's Decision C42/2006 of 16 July 2008[34] (note A7). As the payment of the sums under the Decision of 2008 were drawn from the Company's portion

[34] The shareholder is required to return these sums to the Company following the ruling of the EU Court of 13 September 2013, which has become final. In fact, following the Decision of 2008, the Company had returned to the MEF, in its dual capacity as the Company's shareholder and the disbursing entity, alleged state aid that was adjudged to be illegal under EU rules. The Commission had determined that the interest rate paid to the Company from 1 January 2005 until 31 December 2007 on deposits with the MEF (pursuant to article 1, paragraph 31 of Law 266 of 23 December 2005, the "2006 Budget Act") was higher than that payable by a "private borrower", due both to the manner in which it was computed and the variability of the rates used. On 1 December 2008 the Company filed an appeal against the Commission's Decision with the European Court of Justice, which, on 13 September 2013, overturned the Decision, arguing that the setting of the interest rate should be interpreted in view of the Company's obligation, required by the State, to deposit with the MEF all deposits held in its current accounts. For this reason "the Commission was wrong to conclude that the simple fact that there was a positive difference between the interest rate recognised under the Agreement and the interest rate payable by a private borrower constituted state aid". Moreover, even the conclusion whereby possible investment alternatives, in the absence of any restriction on the use, would not have allowed the Company to obtain returns similar or greater than the interest rate under the Agreement, was considered to be based on "erroneous or insufficient grounds".

of retained earnings accrued “ideally” from the returns on Poste Italiane SpA’s deposits with the MEF, which was considered improper by the European Commission and constituting, in essence, state aid to the benefit of a state-owned company, the MEF’s obligation to return the above amounts was, accordingly, also recognised in retained earnings to the extent required by Law 190/2014.

In implementing the sentence of the European Court of 13 September 2013, the 2015 Stability Law has authorised payment of the sum of €535,000 thousand, less than the €577,377 thousand inclusive of interest, payable to the Company at 31 December 2014. In this respect, there is no certainty that in future there will be new laws authorising additional payments to Poste Italiane and as such, the receivable in question has been recognised to the extent defined by the above-mentioned Stability Law. Consequently, interest for 2014 was adjusted by €8,970 thousand, while the interest accrued until 31 December 2013, in the amount of €33,407 thousand, was written off. As indicated in the “Statement of changes in equity”, deferred tax assets of €25,239 thousand recognised in 2013 were offset against the interest component of €91,776 thousand.

B3 – EARNINGS PER SHARE

Earnings per share

The calculation of basic and diluted earnings per share (EPS) is based on the Group’s profit for the year. The denominator used in the calculation of both basic and diluted EPS is represented by the number of the Parent Company’s shares in issue, given that no financial instruments with potentially dilutive effects have been issued at 31 December 2014 or at 31 December 2013.

B4 – RESERVES

tab. B4 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2013	**263,122**	**1,000,000**	**126,241**	**(125,220)**	**1,264,143**
Increases/(decreases) in fair value during the year	-	-	1,010,048	188,215	1,198,263
Tax effect of changes in fair value	-	-	(318,217)	(60,348)	(378,565)
Transfers to profit or loss	-	-	(216,804)	(30,642)	(247,446)
Tax effect of transfers to profit or loss	-	-	69,580	9,801	79,381
Gains/(Losses) recognised in equity	-	-	544,607	107,026	651,633
Attribution of profit for 2012	36,112	-	-	-	36,112
Balance at 31 December 2013	**299,234**	**1,000,000**	**670,848**	**(18,194)**	**1,951,888**
Increases/(decreases) in fair value during the year	-	-	1,965,733	143,870	2,109,603
Tax effect of changes in fair value	-	-	(628,630)	(46,056)	(674,686)
Transfers to profit or loss	-	-	(288,920)	(46,483)	(335,403)
Tax effect of transfers to profit or loss	-	-	93,645	14,880	108,525
Gains/(Losses) recognised in equity	-	-	1,141,828	66,211	1,208,039
Attribution of profit for 2013	-	-	-	-	-
Balance at 31 December 2014	**299,234**	**1,000,000**	**1,812,676**	**48,017**	**3,159,927**

Details are as follows:

- The fair value reserve regards changes in the fair value of available-for-sale financial assets which, during 2014, showed gains totalling €1,965.733 thousand as follows:
  - €1,784,205 thousand regarding the net fair value gain on available-for-sale financial assets attributable to the Group’s Financial services segment, consisting of €1,775,187 thousand in gains on securities and €9,018 thousand in gains on equity instruments;

- €158,956 thousand regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Insurance services segment;
- €22,572 thousand regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Postal and Business services segment.

- The cash flow hedge reserve reflects changes in the fair value of the effective portion of cash flow hedges outstanding. In 2014 net fair value gains of €143,870 thousand were attributable to the value of BancoPosta RFC's derivative financial instruments.

LIABILITIES

B5 - TECHNICAL PROVISIONS FOR INSURANCE BUSINESS

These provisions refer to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method, as follows:

tab. B5 -Technical provisions for insurance business

Item	Balance at 31 December 2014	Balance at 31 December 2013
Mathematical provisions	68,641,233	55,727,086
Outstanding claims provisions	474,727	229,344
Technical provisions where investment risk is transferred to policyholders	8,503,478	9,190,177
Other provisions	9,510,011	2,795,857
for operating costs	82,202	72,226
for deferred liabilities to policyholders	9,427,809	2,723,631
Technical provisions for claims	89,774	62,522
Total	**87,219,223**	**68,004,986**

Details of movements in technical provisions for the insurance business and other claims expenses are provided in the notes to the consolidated statement of profit or loss.

The provisions for deferred liabilities due to policyholders includes portions of gains and losses attributable to policyholders under the shadow accounting method. In particular, the value of the provisions reflects the attribution to policyholders, in accordance with the relevant accounting standards (to which reference is made for more details), of unrealised profits and losses on available-for-sale financial assets at 31 December 2014 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 - PROVISIONS FOR RISKS AND CHARGES

Movements in provisions for risks and charges are as follows:

tab. B6 - Movements in provisions for risks and charges for the year ended 31 December 2014

Item	Balance at 31 December 2013	Provisions	Finance costs	Released to profit or loss	Uses	Change in scope of consolidation	Balance at 31 December 2014
Provisions for non-recurring charges	269,558	46,592	-	(17,562)	(19,979)	-	278,609
Provisions for disputes with third parties	348,365	80,329	1,312	(33,965)	(11,766)	-	384,275
Provisions for disputes with staff [1]	233,077	27,386	-	(31,856)	(43,263)	-	185,344
Provisions for personnel expenses	107,867	66,165	-	(10,242)	(49,268)	220	114,742
Provisions for restructuring charges	114,000	256,500	-	-	(114,000)	-	256,500
Provisions for expired and statute barred postal savings certificates	13,038	-	492	-	(155)	-	13,375
Provisions for taxation/social security contributions	16,400	11,873	15	(1,894)	(2,623)	-	23,771
Other provisions	63,390	22,471	-	(4,803)	(3,791)	-	77,267
Total	**1,165,695**	**511,316**	**1,819**	**(100,322)**	**(244,845)**	**220**	**1,333,883**
Overall analysis of provisions:							
- non-current portion	564,552						600,934
- current portion	601,143						732,949
	1,165,695						**1,333,883**

[1] Net releases for personnel expenses total €10,720 thousand. Service costs (legal assistance) total €6,250 thousand.

Movements in provisions for risks and charges for the year ended 31 December 2013

Item	Balance at 31 December 2012	Provisions	Finance costs	Released to profit or loss	Uses	Change in scope of consolidation	Balance at 31 December 2013
Provisions for non-recurring charges	219,580	89,086 [1]	-	(6,840)	(32,268)	-	269,558
Provisions for disputes with third parties	367,152	83,437	2,831	(81,962)	(23,259)	166	348,365
Provisions for disputes with staff [2]	353,783	46,162	-	(105,948)	(61,020)	100	233,077
Provisions for personnel expenses	177,299	61,274	-	(27,810)	(102,896)	-	107,867
Provisions for restructuring charges	190,000	114,000	-	-	(190,000)	-	114,000
Provisions for expired and statute barred postal savings certificates	12,657	-	501	-	(120)	-	13,038
Provisions for taxation/social security contributions [3]	15,247	2,254	344	-	(1,445)	-	16,400
Other provisions	75,962	4,760	9	(14,855)	(2,486)	-	63,390
Total	**1,411,680**	**400,973**	**3,685**	**(237,415)**	**(413,494)**	**266**	**1,165,695**
Overall analysis of provisions:							
- non-current portion	538,879						564,552
- current portion	872,801						601,143
	1,411,680						**1,165,695**

[1] Of which €20,556 thousand due to reclassifications.

[2] Net releases for personnel expenses total €44,557 thousand. Service costs (legal assistance) total €11,049 thousand, whilst releases due to updates of estimates total €26,278 thousand.

[3] Including €1,630 thousand in taxation for the period.

Specifically:

- Provisions for non-recurring charges relate to operational risks arising mainly on the Group's financial services. Provisions for the year primarily reflect liabilities deriving from the provision of delegated services, compensation and adjustments to income for previous years and fraud. They also include the estimated costs and charges to be incurred as a result of seizures of accounts and provisions for risks linked to disputes with customers, regarding instruments and investment products whose characteristics are believed by such customers to not match their expectations. Provisions for the year primarily reflect liabilities deriving from fraud, administrative violations and adjustments and true-up amounts for income for previous years. Uses, amounting to €19,979 thousand, relate to settlement of disputes and payment of other liabilities during the period. Releases to profit or loss, amounting to €17,562 thousand, relate to liabilities recognised in the past that failed to materialise.
- Provisions for disputes with third parties regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Provisions for the year of €80,329 thousand reflect the estimated value of new liabilities measured on the basis of expected outcomes. The reduction of €33,965 thousand relates to the reversal of liabilities recognised in the past, whilst a reduction of €11,766 thousand regards the value of disputes settled.

- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €4.470 thousand relate to an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation, and the application of Law 183 of 4 November 2010 ("*Collegato lavoro*"), which has introduced a cap on current and future compensation payable to an employee in the event of "court-imposed conversion" of a fixed-term contract. Uses of €43,263 thousand regard amounts used to cover the cost of settling disputes, including €872 thousand for the Parent Company's assets seized by creditors.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour. They have increased by €66,165 thousand in relation to new liabilities and decreased as a result of past liabilities that failed to materialise (€10,242 thousand) and settled disputes (€49,268 thousand).
- **Provisions for restructuring charges** reflect the estimated costs to be incurred by the Parent Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2016. Use of €114,000 thousand was made during the year under review.
- **Provisions for expired and statute barred Postal Certificates** held by Bancoposta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Parent Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2014, the provisions represent the present value of total liabilities, based on a nominal value of €21,490 thousand, expected to be progressively settled by 2043.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax liabilities.
- **Other provisions** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Parent Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Parent Company, and claims for payment of accrued interest expense due to certain suppliers.

B7 - EMPLOYEE TERMINATION BENEFITS AND PENSION PLANS

The following movements in employee termination benefits took place in 2014:

tab. B7 - Movements in provisions for employee termination benefits and pension plans

	2014			2013		
	Employee termination	Pension plans	Total	Employee termination	Pension plans	Total
Balance at 1 January	**1,336,616**	**3,261**	**1,339,877**	**1,436,477**	**3,656**	**1,440,133**
Change in scope of consolidation	340	-	340	-	-	-
Current service cost	910	-	910	967	-	967
Interest component	39,243	88	39,331	42,735	101	42,836
Effect of actuarial gains/(losses)	176,505	126	176,631	(81,460)	(125)	(81,585)
Uses for the year	(78,052)	(332)	(78,384)	(72,675)	(371)	(73,046)
Reductions due to fixed-term contract settlements of 2012 and 2013	(219)	-	(219)	(181)	-	(181)
Re-alignment fixed-term contract settlements of 2008 and 2010	-	-	-	10,753	-	10,753
Balance at 31 December	**1,475,343**	**3,143**	**1,478,486**	**1,336,616**	**3,261**	**1,339,877**

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs. Net uses of provisions for employee termination benefits, inclusive of the substitute tax withheld, amount to €78,384 thousand.

The main actuarial assumptions applied in calculating provisions for **employee termination benefits** and the **pension plan**, which relates solely to BdM-MCC employees, are as follows:

tab. B7.1 - Economic and financial assumptions

	At 31 December 2014	At 30 June 2014	At 31 December 2013
Discount rate	1.49%	2.30%	3.17%
Inflation rate	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on	2.00%	2.00%
Annual rate of increase of employee termination benefits	1.95% for 2015 2.40% for 2016 2.625% for 2017 and 2018 3.00% from 2019 on	3.00%	3.00%

tab. B7.2 - Demographic assumptions

	At 31 December 2014
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains and losses are generated by the following factors:

tab. B7.3 - Actuarial gains and losses

	Employee termination benefits at 31 December 2014	Pension plan at 31 December 2014	Employee termination benefits at 31 December 2013	Pension plan at 31 December 2013
Change in demographic assumptions	-	-	-	-
Change in financial assumptions	194,335	321	(68,443)	(129)
Other experience-related adjustments	(17,830)	(195)	(13,017)	4
Total	176,505	126	(81,460)	(125)

The sensitivity of employee termination benefits and the pension plan to changes in the principal actuarial assumptions is analysed below.

tab. B7.4 - Sensitivity analysis

	Employee termination benefits at 31 December 2014	Pension plan at 31 December 2014	Employee termination benefits at 31 December 2013	Pension plan at 31 December 2013
Inflation rate +0.25%	1,498,865	3,195	1,359,253	3,307
Inflation rate -0.25%	1,452,304	3,092	1,314,468	3,217
Discount rate +0.25%	1,438,427	3,080	1,303,921	3,200
Discount rate -0.25%	1,513,700	3,208	1,370,355	3,525
Turnover rate +0.25%	1,472,793	-	1,337,919	-
Turnover rate -0.25%	1,477,976	-	1,335,280	-

The following table provides further information in relation to employee termination benefits.

tab. B7.5 - Other information

	At 31 December 2014
Service Cost (expected for 2015)	984
Average duration of defined benefit plan	10.9
Average employee turnover	0.64%

B8 - FINANCIAL LIABILITIES

Financial liabilities break down as follows at 31 December 2014:

tab. B8 - Financial liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	-	40,615,151	40,615,151	-	41,041,086	41,041,086
Borrowings	4,003,351	6,470,227	10,473,578	5,427,693	2,530,254	7,957,947
Bonds	2,009,516	35,474	2,044,990	1,208,301	71,227	1,279,528
Financial institutions borrowings	1,982,492	6,428,853	8,411,345	4,206,965	2,339,449	6,546,414
Other borrowings	1,030	2,351	3,381	3,381	113,594	116,975
Finance leases	10,313	3,549	13,862	9,046	5,984	15,030
Derivative financial instruments	1,778,379	(153)	1,778,226	500,174	(3,689)	496,485
Cash flow hedges	55,298	(7,309)	47,989	116,129	(12,828)	103,301
Fair value hedges	1,716,488	7,102	1,723,590	383,763	9,085	392,848
Fair value through profit or loss	6,593	54	6,647	282	54	336
Other financial liabilities	102	2,490,880	2,490,982	457	2,274,330	2,274,787
Total	**5,781,832**	**49,576,105**	**55,357,937**	**5,928,324**	**45,841,981**	**51,770,305**

Payables deriving from postal current accounts

Payables deriving from postal current accounts represent BancoPosta's direct deposits, and include interest accrued at 31 December 2014, which was settled with customers in January 2015.

Borrowings

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios or maintain a certain minimum rating.

Bonds

Bonds consist of the following:

- Two issues by Poste Italiane SpA, recognised at an amortised cost of €809,672 thousand, under the EMTN – Euro Medium Term Note programme of €2 billion listed by the Company in 2013 on the Luxembourg Stock Exchange. In particular:
  - bonds with a nominal value of €750 million, placed through a public offering for institutional investors at a below par price of 99.66 on 18 June 2013. The bonds have a term to maturity of five years and pay annual coupon interest at a fixed rate of 3.25%. The fair value[35] of this borrowing at 31 December 2014 is €810,090 thousand;
  - bonds with a nominal value of €50 million subscribed by investors through a private placement at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in section A5; the fair value[36] of this borrowing at 31 December 2014 is €52,435 thousand.

[35] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

[36] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

- Subordinated bonds[37] with a nominal value of €750 million and accounted for at their amortised cost of €756,849 thousand, issued at a below par price of 99.597 by Poste Vita SpA on 30 May 2014 and listed on the Luxembourg Stock Exchange. The bonds have a five-year term to maturity and pay annual coupon interest of 2.875%. The fair value[38] of this liability at 31 December 2014 is €785,370 thousand.

- Four bonds with a value of €478,469 thousand issued by BdM-MCC SpA between 1998 and 1999 and maturing between 2018 and 2028, listed on the MOT. These bonds carry variable rates or simulate variable rate bonds through the use of fair value hedges, call for a total repayment on maturity of €530,623 thousand (nominal value plus interest) and have an amortised cost at the reporting date of €374,947 thousand. As a result of the above fair value hedges, at 31 December 2014 the carrying amount of the bonds reflects a fair value adjustment of €103,522 thousand. The total fair value[39] of the bonds at 31 December 2014 is €455,113 thousand.

Financial institutions borrowings

This item breaks down as follows:

tab. B8.1 - Financial institutions borrowings

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	1,500,515	4,702,882	6,203,397	3,768,590	1,908,081	5,676,671
Short-term ECB loan	-	800,000	800,000	-	200,000	200,000
EIB fixed rate loan maturing 11 April 2018	200,000	-	200,000	200,000	-	200,000
EIB fixed rate loan maturing 23 March 2019	200,000	-	200,000	200,000	-	200,000
EIB variable rate loan maturing 2017	1,196	1,127	2,323	2,323	2,002	4,325
Other borrowings	80,781	913,453	994,234	36,052	221,464	257,516
Current account overdrafts	-	7,964	7,964	-	4,925	4,925
Accrued interest expense	-	3,427	3,427	-	2,977	2,977
Total	**1,982,492**	**6,428,853**	**8,411,345**	**4,206,965**	**2,339,449**	**6,546,414**

Financial institutions borrowings are subject to standard negative pledge clauses[40].

Outstanding liabilities for repurchase agreements at 31 December 2014 amount to €6,203,397 thousand and relate to contracts with a total nominal value of €6,177,002 thousand, entered into by the Parent Company with major financial institutions. These liabilities consist of:

- Two loans of an original amount of €2.5 billion each, paying the REFI rate[41], plus a spread negotiated with the lenders, obtained in February 2012 in connection with the Long Term Refinancing Operation (LTRO) conducted by the ECB. The proceeds of the loans were invested entirely in Italian government bonds with the same nominal amount, with a view to bringing forward the rollover of BancoPosta's maturing investments. In particular:
    - €2,508,950 thousand (€8,949 thousand of which accrued interest) was settled with a bullet repayment in February 2015;

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37 The bondholders rank below customers holding the company's insurance policies.

38 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

39 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

40 A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with existing creditors, unless the same degree of protection is also offered to them.

41 The "REFI rate" or "refinancing operations rate" is the variable interest rate that banks are required to pay when they borrow from the ECB.

- €408,639 thousand (€8,696 thousand of which accrued interest) was repaid to Cassa Depositi e Prestiti on 26 February 2015;

- €1,861,923 thousand (€8,624 thousand of which accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed income government securities of a matching nominal amount;
- €859,656 thousand (€67 thousand of which accrued interest) relating to BancoPosta's ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers;
- €564,229 thousand relating to repurchase agreements, involving securities with a total nominal amount of €500,000 thousand, entered into by the Parent Company to optimise returns and to meet its short-term liquidity requirements.

At 31 December 2014 the fair value[42] of repurchase agreements amounts to €6,226,846 thousand.

The short-term ECB loan of €800,000 thousand was obtained by BdM-MCC SpA during 2014, within the scope of the ECB's open market operations channelled through national central banks. The carrying amount approximates to the relevant fair value at 31 December 2014.

The fair value[43] of the two fixed rate EIB loans of €400,000 thousand is €411,133 thousand.

Other borrowings of €994,234 thousand include:

- short-term loans entered into by the Parent Company, totalling €575,000 thousand;
- advances against Parent Company receivables , totalling €200,000 thousand;
- short-term loans obtained by BdM-MCC SpA, totalling €120,000 thousand;
- loans provided by Cassa Depositi e Prestiti SpA to BdM-MCC SpA, mainly for on-lending to small and medium enterprises, totalling €95,873 thousand (a fair value of €96,780 thousand).

The carrying amount of the above items and other borrowings approximates to their fair value at 31 December 2014.

Other borrowings

These reflect fixed rate loans whose residual value, measured at the amortised cost at 31 December 2014 is €3,381 thousand and whose fair value[44] at the same date is €3,688 thousand. The outstanding principal assigned by law to the Ministry of the Economy and Finance is offset by a receivable, recognised as a financial asset due from the MEF, which will be collected in keeping with the loans' repayment schedules.

Finance leases

These reflect the outstanding principal due under finance lease agreements for fixed assets, as shown in the following table.

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[42] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

[43] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

[44] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

tab. B8.2 - Reconciliation of total future payments and their present value

Item	At 31 December 2014		
	Installments from 1 January 2015 until expiration	Interest	Present value
Properties used in operations	8,532	778	7,754
Other assets	18	1	17
Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	7,210	1,119	6,091
Total	**15,760**	**1,898**	**13,862**

tab. B8.3 - Term to maturity of finance lease liabilities

Item	At 31 December 2014			
	within 12 months	1-5 years	after 5 years	Total
Properties used in operations	993	6,761	-	7,754
Other assets	8	9	-	17
Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	2,546	3,373	172	6,091
Total	**3,547**	**10,143**	**172**	**13,862**

Credit facilities

At 31 December 2014, the following credit facilities are available:

- committed lines of €1,600 million, of which €800 million has been used;
- uncommitted lines of credit of €1,136 million, of which €895 million was used for short-term borrowings;
- overdraft facilities of €101 million, of which €8 million has been used;
- unsecured guarantee facilities with a value of approximately €430 million (with €302 million available to the Parent Company), of which guarantees with a value of €261 million have been used on behalf of companies of the Poste Italiane Group in favour of third parties.

No collateral has been provided to secure the lines of credit obtained.

From 2014, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €470 million and the facility is unused at 31 December 2014.

Derivative financial instruments

Movements in derivative financial instruments during 2014 are described in section A5.

Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount and refer mainly to BancoPosta RFC.

tab. B8.4 - Other financial liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	937,506	937,506	-	789,188	789,188
Domestic and international money transfers	-	520,105	520,105	-	497,779	497,779
Cheques to be creditted to Postal Savings Boooks	-	332,871	332,871	-	357,095	357,095
Guarantee deposits	-	167,821	167,821	-	99,310	99,310
Endorsed cheques	-	157,527	157,527	-	152,211	152,211
Tax collection and road tax	-	136,987	136,987	-	176,413	176,413
Amounts to be credited to customers	-	120,189	120,189	-	81,133	81,133
Other amounts payable to third parties	-	62,352	62,352	-	63,017	63,017
Payables for items in process	-	40,965	40,965	-	41,635	41,635
Other	102	14,557	14,659	457	16,549	17,006
Total	**102**	**2,490,880**	**2,490,982**	**457**	**2,274,330**	**2,274,787**

Specifically:

- **Amounts due on prepaid cards**, totalling €928,637 thousand, relate to the electronic top-up of Postepay cards.
- **Amounts due on domestic and international money transfers** represent the exposure to third parties for:
  - domestic postal orders, totalling €344,653 thousand;
  - domestic and international transfers, totalling €175,452 thousand.
- **Amounts payable for guarantee deposits** regard €130,994 thousand paid to BdM-MCC SpA by interest rate swap counterparties (collateral provided by specific Credit Support Annexes), in relation to swaps entered into for fair value hedging purposes and €36,827 thousand received by the Parent Company in relation to repurchase agreements covering fixed income securities (collateral under specific Global Master Repurchase Agreements).
- **Tax collection and road tax payables** relate to amounts due to collection agents, the tax authorities and regional authorities for payments made by customers.
- **Amounts to be credited to customers** relate to amounts received from the Ministry for Economic Development to fund the payment of "fuel bonuses" to qualifying customers, payments of bills by payment slip in the process of being credited to beneficiaries' accounts, premiums collected and payments to be made on behalf of Poste Vita SpA, amounts to be paid for Bancoposta promotions, etc..

B9 - TRADE PAYABLES

Details are as follows:

tab. B9 - Trade payables

Item	Balance at 31 December 2014	Balance at 31 December 2013
Amounts due to suppliers	1,222,797	1,285,665
Prepayments and advances from customers	185,452	210,031
Other trade payables	9,000	13,295
Amounts due to subidiaries	1,974	4,547
Amounts due to associates	297	3,241
Amounts due to joint ventures	2,357	2,850
Total	**1,421,877**	**1,519,629**

Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers

Item	Balance at 31 December 2014	Balance at 31 December 2013
Italian suppliers	1,094,321	1,151,036
Overseas suppliers	24,624	20,113
Overseas counterparties [1]	103,852	114,516
Total	**1,222,797**	**1,285,665**

[1] The amount due to overseas counterparties regards fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Prepayments and advances from customers

Prepayments and advances from customers relate to amounts received from customers as prepayment for the following services to be rendered:

tab. B9.2 -Prepayments and advances from customers

Item	Balance at 31 December 2014	Balance at 31 December 2013
Prepayments from overseas correspondents	79,558	85,585
Automated franking	65,617	81,078
Unfranked mail	17,254	16,549
Postage-paid mailing services	6,065	7,888
Other services	16,958	18,931
Total	**185,452**	**210,031**

Amounts due to subsidiaries

These regard amounts due to subsidiaries accounted for using the equity method. Specifically:

tab. B9.3 - Amounts due to subsdiaries

Item	Balance at 31 December 2014	Balance at 31 December 2013
Address Software Srl	1,317	1,176
Kipoint SpA	657	572
Poste Tributi ScpA [*]	-	2,480
PatentiViaPoste ScpA [*]	-	319
Total	**1,974**	**4,547**

(*) As of 1 January 2014 Poste Tributi ScpA and PatentiViaPoste ScpA are consolidated on a line-by-line basis.

B10 - OTHER LIABILITIES

Details of these items are as follows:

tab. B10 - Other liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	770,495	770,495	-	753,642	753,642
Social security payables	43,443	496,138	539,581	46,237	478,070	524,307
Other tax liabilities	617,028	522,802	1,139,830	398,866	528,246	927,112
Amounts due to the MEF	-	12,140	12,140	-	12,140	12,140
Other amounts due to joint ventures	220	-	220	-	-	-
Other amounts due to susidiaries	-	391	391	-	5	5
Sundry payables	89,360	48,163	137,523	70,936	50,309	121,245
Accrued expenses and deferred income from trading	13,703	44,621	58,324	15,489	47,801	63,290
Total	**763,754**	**1,894,750**	**2,658,504**	**531,528**	**1,870,213**	**2,401,741**

Amounts due to staff

Amounts due to staff relate primarily to amounts accrued and not paid at 31 December 2014. Details are as follows:

tab. B10.1 - Amounts due to staff

Item	Balance at 31 December 2014	Balance at 31 December 2013
Fourteenth month salaries	237,851	240,590
Incentives	300,210	333,627
Accrued vacation pay	57,894	63,466
Other amounts due to staff	174,540	115,959
Total	**770,495**	**753,642**

Social security payables

tab. B10.2 - Social security payables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	81	404,009	404,090	81	387,598	387,679
Pension funds	-	80,293	80,293	-	78,435	78,435
INAIL	43,362	3,026	46,388	46,156	2,863	49,019
Amounts due to the Solidarity Fund	-	186	186	-	482	482
Other agencies	-	8,624	8,624	-	8,692	8,692
Total	**43,443**	**496,138**	**539,581**	**46,237**	**478,070**	**524,307**

Specifically:

- Amounts due to the *Istituto Nazionale per la Previdenza Sociale* (*INPS*, the National Institute of Social Security) primarily relate to amounts due on salaries paid and accrued at 31 December 2014. This item also includes provisions for employee termination benefits still to be paid.
- Amounts payable to pension funds relate to sums due to FondoPoste and other pension funds following the decision by certain Group employees to join supplementary funds.
- Amounts due to the *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro* (*INAIL*, the National Occupational Injury Compensation Authority) relate to injury compensation paid to employees of the Parent Company for injuries occurring up to 31 December 1998.

Other tax liabilities

tab. B10.3 - Other tax liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	617,028	-	617,028	398,866	32,493	431,359
Tax due on insurance provisions	-	334,096	334,096	-	282,295	282,295
Withholding tax on employees' and consultants' salaries	-	100,651	100,651	-	111,924	111,924
Withholding tax on postal current accounts	-	20,653	20,653	-	35,108	35,108
VAT payable	-	24,280	24,280	-	29,886	29,886
Substitute tax	-	19,210	19,210	-	12,741	12,741
Other taxes due	-	23,912	23,912	-	23,799	23,799
Total	**617,028**	**522,802**	**1,139,830**	**398,866**	**528,246**	**927,112**

In particular:

- Stamp duty relates to the amount accrued at 31 December 2014 on Interest-bearing Postal Certificates outstanding and on Branch III and V insurance policies pursuant to the new law referred to in section A8.
- Tax due on insurance provisions relates to Poste Vita SpA and is described in section A8.
- Withholding tax on employees' and consultants' salaries relates to amounts paid to the tax authorities by Group companies in January and February 2015 as withholding agents.
- Withholding tax due on postal current accounts refers to amounts withheld by BancoPosta RFC on interest accrued during the year on customer current accounts.
- Substitute tax, relating mainly to Poste Vita SpA, refers to the tax payable on annual revaluations of individual pension plans and the monthly withholdings for December, which were both paid in January and February 2016.

Amounts due to the MEF

Amounts due to the MEF, amounting to €12,140 thousand, relate to pensions paid by the Ministry to former employees of Poste Italiane SpA for the period 1 January 1994 to 31 July 1994.

Sundry payables

tab. B10.4 - Sundry payables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	76,384	10,337	86,721	59,385	9,624	69,009
Guarantee deposits	7,971	1,619	9,590	7,894	1,595	9,489
Other payables	5,005	36,207	41,212	3,657	39,090	42,747
Total	**89,360**	**48,163**	**137,523**	**70,936**	**50,309**	**121,245**

In detail:

- sundry payables attributable to BancoPosta's operations primarily relate to prior year balances currently being verified.
- guarantee deposits primarily relate to amounts collected from the Parent Company's customers as a guarantee of payment for services (postage-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

Accrued expenses and deferred income from trading transactions

tab. B10.5 - Accrued expenses and deferred income

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	5,560	5,560	-	5,119	5,119
Deferred income	13,703	39,061	52,764	15,489	42,682	58,171
Total	**13,703**	**44,621**	**58,324**	**15,489**	**47,801**	**63,290**

Deferred income comprises:

- €20,128 thousand in prepaid telephone traffic sold as of 31 December 2014 and not yet used by customers;
- €8,470 thousand in fees on Postemat cards collected in advance by the Parent Company;
- €6,683 thousand in grants approved by the competent public authorities in favour of the Parent Company, whose matching costs have not been incurred yet;
- €5,041 thousand (of which €4,726 thousand relates to income to be recognised after 2014) relating to the Parent Company's advance collection of the rental on a thirty-year lease of a pneumatic postal structure in Rome;
- €2,220 thousand relating to income to be recognised in future years as a result of the Grand Premio BancoPosta loyalty programme, which grants award credits to customers to reward loyalty. Recognition of the related revenue is deferred until the Company has fulfilled its obligations to deliver awards to customers or, if the award credits must be used within a limited period of time, until the credits are no longer valid, in accordance with IFRIC 13.

STATEMENT OF PROFIT OR LOSS

C1 - REVENUE FROM SALES AND SERVICES

Revenue from sales and services, amounting to €9,150,384 thousand, breaks down as follows:

tab. C1 -Revenue from sales and services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Postal and Business services	3,963,519	4,308,816
Financial services	4,950,417	5,068,408
Other sales of goods and services	236,448	245,022
Total	**9,150,384**	**9,622,246**

Postal and Business services

Revenue from Postal and Business services breaks down as follows:

tab. C1.1 - Revenue from postal and commercial services

Item	For the year ended 31 December 2014		For the year ended 31 December 2013	
Unfranked mail	1,199,149		1,303,465	
Automated franking by third parties and at post offices	882,048		1,012,359	
Express parcel and express courier service	406,463		368,685	
Stamps	248,364		301,799	
Integrated services	215,179		242,721	
Postage-paid mailing services	130,194		148,407	
Overseas mail and parcels	114,434		103,857	
Electronic document management and e-procurement services	44,816		53,997	
Logistics services	35,014		38,413	
Innovative services	30,302		37,059	
Telegrams	28,867		33,362	
Census services	-		22	
Other postal services	89,195		56,771	
Total revenue from Postal services		3,424,025		3,700,917
Air shipping services	93,424		63,911	
Income from application for residence permits	31,128		33,072	
PosteShop sales	21,270		27,288	
Rentals	15,665		18,080	
Other commercial services	83,912		66,596	
Total revenue from Business services		245,399		208,947
Total market revenue		3,669,424		3,909,864
Universal Service compensation		277,440		342,820
Electoral subsidies [1]		16,655		56,132
Total		**3,963,519**		**4,308,816**

[1] Subsidies for tariffs discounted in accordance with the law.

In detail:

- Unfranked mail relates to revenue from the mailing of correspondence by large customers from the post office network, including those conducted using the Bulk Mail formula.

- Automated franking by third parties or at post offices, relates to revenue from the mailing of correspondence franked by customers or at post offices using a franking machine.
- Express parcel and express courier services relate to services provided by the subsidiary, SDA Express Courier SpA.
- Stamps relates to the sale of stamps through post offices and authorised outlets, and sales of stamps used for franking on credit.
- Integrated services relate primarily to the delivery of administrative notices and fines (€183,916 thousand).
- Postage-paid mailing services relate to revenue from the delivery of publications and mail-order goods on behalf of publishers.
- Revenue from electronic document management and e-procurement services relates to the distribution and supply of stationery, forms and printed documents by the subsidiary, Postel SpA.
- Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The compensation amount reported for 2014 is limited to the sum appropriated in the state budget under applicable legislation (article 1, paragraph 274 of Law 190/2014). To this end, reference is made to note 2.3 – *Use of estimates* and A7.3 – *Due from the MEF*.
- Electoral subsidies relate to amounts paid by the state to cover reductions and preferential prices granted to election candidates under Law 515/93.

Financial services

Revenue from Financial services - which relate mainly to services rendered by the Parent Company's BancoPosta RFC, by BdM-MCC SpA and by BancoPosta Fondi SpA SGR - break down as follows:

tab. C1.2 - Revenue from Financial services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from investment of postal current account deposits	1,659,220	1,753,462
Fees for collection of postal savings deposits	1,640,267	1,620,000
Commissions on payment of bills by payment slip	492,872	566,997
Revenue from current account services	490,342	506,598
Income from delegated services	135,627	129,788
Arrangement of loan products	110,035	118,980
Fees for issue and use of prepaid cards	114,968	102,801
Money transfers	54,848	63,136
Interest income on loans and other income	50,801	26,411
Fees for the management of public funds	41,436	35,812
Mutual fund management fees	37,328	35,160
Commissions from securities placements and trading	9,218	21,718
Securities custody	11,449	16,414
Other products and services	102,006	71,131
Total	**4,950,417**	**5,068,408**

In particular:

- Income from the investment of postal current account deposits breaks down as follows:

tab. C1.3 - Income from investment of postal current accounts deposits

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from investments in securities	1,586,020	1,587,576
Interest income on held-to-maturity financial assets	631,705	659,040
Interest income on available-for-sale financial assets	913,206	893,640
Interest income on securities held for trading	16	226
Interest income on asset swaps of available-for-sale financial assets	41,093	34,670
Income from deposits held with the MEF	73,504	167,958
Remuneration of current account deposits (deposited with the MEF)	73,504	157,239
Differential on derivatives stabilising returns	-	10,719
Net remuneration of own liquidity recognised in finance income and costs	(304)	(2,072)
Total	**1,659,220**	**1,753,462**

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A5.

Remuneration of postal current account deposits represents accrued interest for the year on amounts deposited by public sector entities and, to a lesser extent, returns on amounts deposited in the so-called Buffer account with the MEF.

Net remuneration of own liquidity on postal current accounts relates to net earnings from own cash and cash equivalents and is shown separately in finance income, unlike income from the investment of third-party deposits by BancoPosta.

- Fees for the collection of postal savings deposits relate to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.
- Revenue from current account services primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions.
- Income from delegated services primarily regards amounts received by the Parent Company for the payment of pensions and vouchers issued by INPS (€69,089 thousand), and for the provision of treasury services on the basis of the agreement between Poste Italiane SpA and the MEF (€56,590 thousand).
- Revenue from the arrangement of loan products relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.
- Interest on loans and fees for the management of public funds are entirely attributable to BdM-MCC SpA.
- Other products and services mainly reflect fees deriving from the processing of tax payment forms (F24) (€91,997 thousand).

Other sales of goods and services

Other sales of goods and services relate to income of €236,448 thousand generated by PosteMobile SpA for mobile telephony services, which are not directly attributable to the specific Postal and Business, Financial and Insurance services segments.

C2 - INSURANCE PREMIUM REVENUE

Details of this item are as follows:

tab. C2 -Insurance premium revenue

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Life premiums*	15,416,690	13,162,187
Branch I	14,701,211	13,019,651
Branch III	17,112	79,160
Branch IV	845	458
Branch V	697,522	62,918
Non-life premiums*	55,301	37,859
Total	**15,471,991**	**13,200,046**

* Insurance premium revenue is reported net of outward reinsurance premiums

C3 - OTHER INCOME FROM FINANCIAL AND INSURANCE ACTIVITIES

Details of this item are as follows:

tab. C3 - Other income from financial and insurance activities

Item	For the year ended 31 December	For the year ended 31 December
Income from financial assets at fair value through profit or loss	704,628	745,532
Interest	333,886	307,728
Fair value gains	228,677	417,441
Realised gains	142,065	20,363
Income from available-for-sale financial assets	3,048,242	2,511,316
Interest	2,288,324	2,011,914
Realised gains	759,918	499,402
Income from held-to-maturity financial assets	-	1,186
Realised gains	-	1,186
Income from cash flow hedges	202	848
Fair value gains	202	848
Income from fair value hedges	200	1,851
Fair value gains	200	1,851
Foreign exchange gains	2,560	1,963
Unrealised gains	670	73
Realised gains	1,890	1,890
Other income	16,389	18,456
Total	**3,772,221**	**3,281,152**

C4 - OTHER OPERATING INCOME

Other operating income relates to the following:

tab. C4 - Other operating income

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Increases to estimates of previous years	41,237	80,290
Recoveries of contract expenses and other recoveries	29,216	25,269
Government grants	12,315	8,148
Recovery of cost of seconded staff	1,738	1,853
Gains on disposals	920	1,659
Other income	32,272	47,538
Total	**117,698**	**164,757**

Gains on disposals

tab. C4.1 - Gains on disposals

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Gains on disposal of property and land used in operations	204	206
Gains on disposal of investment property	647	1,348
Gains on disposal of other operating assets	69	105
Total	**920**	**1,659**

C5 - COST OF GOODS AND SERVICES

The following table provides a breakdown of the cost of goods and services:

tab. C5 - Cost of goods and services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Services	1,919,065	1,926,951
Lease expense	373,981	361,242
Raw, ancillary and consumable materials and goods for resale	229,589	219,389
Interest expense	125,613	226,909
Total	**2,648,248**	**2,734,491**

Cost of services

tab. C5.1 - Cost of services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Transport of mail, parcels and forms	470,310	464,753
Routine maintenance and technical assistance	257,511	274,402
Outsourcing fees and external service charges	187,852	190,089
Personnel services	161,363	169,957
Energy and water	137,360	143,015
Mobile telecommunication services for customers	107,420	112,113
Transport of cash	101,132	96,961
Telecommunications and data transmission	70,424	70,252
Mail, telegraph and telex	68,052	66,764
Credit and debit card fees and charges	64,983	57,734
Cleaning,waste disposal and security	63,745	63,517
Printing and enveloping services	55,810	61,943
Advertising and promotions	42,442	33,208
Logistics and document storage services	31,318	27,847
Airport costs	31,109	26,569
Consultants' fees and legal expenses	29,345	27,960
Insurance premiums	16,507	17,708
Agent commissions and other	16,115	16,174
Asset management fees	2,043	1,745
Remuneration of Statutory Auditors	1,702	1,648
Securities custody and management fees	1,506	1,718
Other	1,016	874
Total	**1,919,065**	**1,926,951**

Details of the remuneration paid to the Statutory Auditors are provided below:

tab. C5.1.1 - Remuneration of Statutory Auditors

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration	1,538	1,387
Expenses	164	261
Total	**1,702**	**1,648**

Lease expense

The following table provides a breakdown of lease expense:

tab. C5.2 - Lease expense

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Real estate leases and ancillary costs	197,340	201,072
Vehicle leases	85,684	80,451
Equipment hire and software licences	51,531	53,904
Other lease expense	39,426	25,815
Total	**373,981**	**361,242**

Real estate leases relate almost entirely to the buildings from which the Group operates (post offices, Delivery Logistics Centres and Sorting Centres). Under the relevant lease agreements, rents are increased annually on the basis of the price index published by the *Istituto Nazionale di Statistica* (*ISTAT*, the Italian Office for National Statistics). Lease terms are generally six years, renewable for a further six. Renewal is assured from the clause stating that the lessor "waives the option of refusing renewal on expiry of the first term", by which the lessor, once the agreement has been signed, cannot refuse to renew the lease, except in cases of force majeure. The Parent Company has the right to withdraw from the contract at any time, giving six months' notice, in accordance with the standard lease contract.

Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

Item	Note	For the year ended 31 December 2014	For the ear ended 31 December 2013
Consumables and goods for resale		112,099	104,068
Fuels and lubricants		82,737	83,714
Printed matter, stationery and advertising material		16,219	17,315
Printing of postage and revenue stamps		9,021	12,285
SIM cards and scratch cards		2,675	2,240
Change in inventories of work in progress, semi-finished and finished goods and goods for	[tab. A6]	5,409	1,438
Change in inventories of raw, ancillary and consumable materials	[tab. A6]	(1,696)	560
Change in property held for sale	[tab. A6]	2,780	(2,593)
Other		345	362
Total		**229,589**	**219,389**

Interest expense

tab. C5.4 - Interest expense

Item	For the year ended 31 December 2014	For the ear ended 31 December 2013
Interest on customers' deposits	92,871	181,590
Interest expense on repurchase agreements	28,642	42,107
Interest paid to MEF	50	-
Other interest expense and similar charges	4,056	3,212
Net remuneration of own liquidity recognised in finance income and costs	(6)	-
Total	**125,613**	**226,909**

In the latter part of 2014, returns on the Parent Company's deposits with the MEF were negative. Consequently, for the year under review total interest expense in relation to deposits with the MEF amounts to €50 thousand. Of this amount, €6 thousand, relating to cash and cash equivalents, has been recognised in finance costs.

Other interest expense refers to interest paid on the different types of deposits taken by BdM-MCC SpA, less the positive differences arising on fair value hedge transactions undertaken with respect to bonds in issue (note B8).

C6 - NET MOVEMENT IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

This item breaks down as follows:

tab. C6 - Movements in technical provisions for insurance business and other claims expenses

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Claims paid	5,273,216	5,155,353
Movement in mathematical provisions	12,910,348	10,536,065
Movement in outstanding claim provisions	243,172	24,876
Movement in Other technical provisions	120,928	(13,990)
Movement in technical provisions where investment risk is transferred to policyholders	(686,699)	(449,881)
Claim expenses and movement in other provisions - Non-life	22,023	13,138
Total	**17,882,988**	**15,265,561**

The net movement in technical provisions for the insurance business and other claims expenses primarily includes:

- claims paid, policies redeemed and the related expenses incurred by Poste Vita SpA during the period, totalling €5,273,216 thousand;
- the change in mathematical provisions, totalling €12,910,348 thousand, reflecting increased obligations to policyholders;
- the decrease in technical provisions where investment risk is transferred to policyholders (so-called class D), totalling €686,699 thousand.

C7 - OTHER EXPENSES FROM FINANCIAL AND INSURANCE ACTIVITIES

The table below provides a breakdown of this item:

tab. C7 - Other expenses from financial and insurance activities

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Expenses from financial instruments through profit or loss	15,871	14,876
Unrealised losses	8,972	9,548
Realised losses	6,899	5,328
Expenses from available-for-sale financial instruments	25,775	26,426
Realised losses	25,775	26,426
Expenses from cash flow hedges	-	1
Fair value losses	-	1
Expenses from fair value hedges	1,424	16
Fair value losses	1,424	16
Foreign exchange losses	247	677
Unrealised losses	5	316
Realised losses	242	361
Other expenses	32,757	31,815
Total	**76,074**	**73,811**

C8 - PERSONNEL EXPENSES

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses, determined by the relevant chargebacks, is posted to "Other operating income". Personnel expenses break down as follows:

tab. C8 - Personnel expenses

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and salaries		4,371,951	4,429,887
Social security contributions		1,231,291	1,249,021
Provisions for employee termination benefits: current service cost	[tab. B7]	910	967
Provisions for employee termination benefits: supplementary pension funds and INPS		271,546	272,577
Agency staff		9,466	9,267
Remuneration and expenses paid to Directors		3,390	3,696
Redundancy payments		151,512	53,451
Net provisions (reversals) for disputes with staff	[tab. B6]	(10,720)	(44,557)
Provisions for restructuring charges	[tab. B6]	256,500	114,000
Other staff costs/(cost recoveries)		(56,449)	(60,033)
Total expenses		6,229,397	6,028,276
Income from fixed-term contract settlements and settlements with agency staff		-	(20,283)
Total		**6,229,397**	**6,007,993**

Details of the remuneration and expenses paid to Directors are provided below:

tab. C8.1 - Remuneration and expenses paid to Directors

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration	3,281	3,566
Expenses	109	130
Total	**3,390**	**3,696**

Net provisions for disputes with staff and provisions for restructuring charges are described in section B6.

Cost savings refer mainly to changes in estimates made in previous years.

The following table shows the Group's average and year-end headcounts by category:

tab. C8.2 - Workforce data

Level	Average workforce		Year-end workforce	
	2014	2013	At 31 December 2014	At 31 December 2013
Executives	789	785	775	788
Middle managers	16,010	15,560	15,984	15,820
Operational staff	123,255	123,932	121,640	122,874
Back-office staff	2,167	3,324	1,641	2,744
Total permanent workforce (*)	**142,221**	**143,601**	**140,040**	**142,226**

(*) Figures expressed in Full Time Equivalent terms.

Taking account of staff on flexible contracts, the total average number of full-time equivalent staff in 2014 is 144,634 (145,431 in 2013).

C9 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Depreciation, amortisation and impairments break down as follows:

tab. C9 - Depreciation, amortisation and impairments

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Property, plant and equipment	361,467	372,318
Properties used in operations	106,022	103,685
Plant and machinery	109,885	123,671
Industrial and commercial equipment	10,939	11,634
Leasehold improvements	29,018	32,146
Other assets	105,603	101,182
Impairments/recoveries/adjustments of property, plant and equipment	47,458	19,271
Depreciation of investment property	4,836	8,586
Impairment/recoveries/adjustments of investment property	(401)	(604)
Amortisation and impairments of intangible assets	257,410	189,073
Industrial patents and intellectual property rights,concessions, lincenses, trademarks and s	247,700	181,095
Other	9,710	7,978
Total	**670,770**	**588,644**

C10 - CAPITALISED COSTS AND EXPENSES

Capitalised costs and expenses break down as follows:

tab. C10 - Capitalised costs and expenses

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Property, plant and equipment	[A1]	5,625	6,997
Intangible assets	[A3]	24,177	50,213
Total		**29,802**	**57,210**

C11 - OTHER OPERATING COSTS

Other operating costs break down as follows:

tab. C11 - Other operating costs

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Net provisions and losses on doubtful debts (uses of provisions)		91,114	29,963
Provisions for receivables due from customers	[tab. A7.2]	27,773	44,435
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.4]	57,179	(11,894)
Provisions (reversal of provisions) for sundry receivables	[tab. A8.1]	6,048	(2,665)
Losses on receivables		114	87
Operational risk events		28,658	30,583
Thefts during the year	[tab. A5.11b]	5,856	6,265
Reversal of BancoPosta assets, net of recoveries		2,181	3,111
Other operating losses of BancoPosta		20,621	21,207
Net provisions for risks and charges made/(released)		93,062	53,070
for disputes with third parties	[tab. B6]	46,364	1,475
for non-recurring charges	[tab. B6]	29,030	61,690
for other risks and charges	[tab. B6]	17,668	(10,095)
Losses [1]		3,163	2,534
Municipal property tax, urban waste tax and other taxes and duties [2]		73,050	69,954
Revised estimates and assessments for previous years		19,013	23,160
Other recurring expenses		35,551	45,152
Total		**343,611**	**254,416**

[1] For the purposes of reconciliation with the statement of cash flows, for 2014 this item amounts to €2,243 thousand, net of capital gains of €920 thousand. For 2013, this item amounted to €875 thousand, net of capital gains of €1,659 thousand.
[2] This item reflects €9,979 thousand in net provisions for taxation/social security contributions (tab. B6)

C12 - FINANCE INCOME/COSTS

Income from and costs incurred on financial instruments relate to assets other than those in which deposits collected by BancoPosta and/or the insurance business are invested.

Finance income

tab. C12.1 - Finance income

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from available-for-sale financial assets		147,474	115,913
Interest [(1)]		102,134	115,249
Accrued differentials on fair value hedges [(1)]		(8,349)	(8,218)
Realised gains		53,230	8,784
Dividends		459	98
Income from financial assets through profit or loss [(1)]		13,506	270
Other finance income [(1)]		32,969	104,738
Interest from the MEF		-	9,243
Remuneration of Poste Italiane liquidity	[tab. C1.3]	304	2,072
Interest on bank current accounts		1,096	3,342
Finance income on discounting receivables [(2)]		19,744	27,582
Overdue interest		8,513	7,113
Impairment of amounts due as overdue interest		(8,148)	(7,058)
Income from subsidiaries		2	74
Interest on IRES refund		10,776	59,576
Other		682	2,794
Foreign exchange gains		3,960	5,121
Total		**197,909**	**226,042**

(1) For the purposes of reconciliation with the statement of cash flows, for 2014 these items total €140,260 thousand (€212,039 thousand in 2013).

(2) Finance income on discounted receivables includes: €4,975 thousand in accrued interest on the amount due from the MEF, €5,613 thousand in interest on amounts due for the publisher tariff subsidies and €9,156 thousand in interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012 and 2013.

Finance costs

tab. C12.2 - Finance costs

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Finance costs on financial liabilities		65,228	36,802
on bonds		40,414	13,937
on loans from Cassa Depositi e Prestiti		4,598	8,705
on financial institutions borrowings		13,152	13,290
on finance leases		486	463
paid to MEF		-	70
on derivative financial instruments		6,578	337
Sundry finance costs on financial assets		75,196	3,746
Impairment losses on available-for-sale financial assets [1]	[tab. A5.9]	75,168	-
Realised losses on available-for-sale financial assets		28	3,612
Realised losses on financial instruments at fair value through profit or loss		-	134
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	39,331	42,836
Finance costs on provisions for risks	[tab. B6]	1,819	3,685
Interest expense on liquidity from Poste Italiane	[tab. C5.4]	6	-
Other finance costs		4,595	6,204
Foreign exchange losses [1]		5,043	4,840
Total		**191,218**	**98,113**

[1] For the purposes of reconciliation with the statement of cash flows, for 2014 finance costs, after foreign exchange losses and sundry finance costs on available-for-sale financial assets, amount to €111,007 thousand (€93,273 thousand in 2013).

C13 - INCOME TAX EXPENSE

This item breaks down as follows:

tab. C13 - Income tax expense

Item	For the year ended 31 December 2014			For the year ended 31 December 2013		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	287,981	239,961	527,942	413,991	272,474	686,465
Deferred tax income	(70,857)	(2,529)	(73,386)	62,992	(1,403)	61,589
Deferred tax expense	24,544	5,649	30,193	(3,077)	1,499	(1,578)
Total	**241,668**	**243,081**	**484,749**	**473,906**	**272,570**	**746,476**
Income tax for previous years following change in legislation	**-**	**-**	**-**	**(222,772)**	**-**	**(222,772)**

The tax rate for 2014 is 69.6% and consists of:

tab. C13.1 - Reconciliation between the theoretical IRES tax rate and the effective IRES tax rate

Item	For the year ended 31 December 2014		For the year ended 31 December 2013	
	IRES	% rate	IRES	% rate
Profit before tax	*696,724*		*1,528,581*	
Theoretical tax charge	191,599	27.5%	420,360	27.5%
Effects of increases /(decreases) on theoretical tax charge				
IRES surtax for banks, financial institutions and insurance companies	-	0.00%	46,516	3.04%
Adjustments to available-for-sale financial assets	20,625	2.96%	-	0.00%
Exempt gains on financial assets	-	0.00%	-	0.00%
Non-deductible contingent liabilities	12,271	1.76%	8,409	0.55%
Net provisions for risks and charges and impairments of receivables	16,017	2.30%	5,490	0.36%
Non-deductible taxes	8,699	1.25%	8,452	0.55%
Realignment of tax bases and carrying amounts and taxation for previous years	(9,214)	-1.32%	(12,918)	-0.85%
Technical provisions for insurance business	50,372	7.23%	53,422	3.49%
Deduction from IRES of IRAP paid on personnel expenses	(55,302)	-7.94%	(53,315)	-3.49%
Other	6,601	0.95%	(2,511)	-0.16%
Effective tax charge	**241,668**	**34.69%**	**473,905**	**31.00%**
Refund of IRES for previous years following change in legislation	**-**	**-**	**(222,772)**	**-14.57%**

tab. C13.2 - Reconciliation between the theoretical IRAP tax rate and the effective IRAP tax rate

Item	For the year ended 31 December 2014		For the year ended 31 December 2013	
	IRAP	% rate	IRAP	% rate
Profit before tax	*696,724*		*1,528,581*	
Theoretical tax charge	44,785	6.43%	81,057	5.30%
Effect of increases/(decreases)on theoretical tax charge				
Non-deductible personnel expenses	191,949	27.55%	197,127	12.90%
Adjustment to avilable-for-sale financial assets	3,383	0.49%	-	0.00%
Non-deductible contingent liabilities	1,286	0.18%	1,521	0.10%
Net provisions for risks and charges and impairments of receivables	6,879	0.99%	(1,241)	-0.08%
Non-deductible taxes	1,513	0.22%	1,441	0.09%
Finance income and costs	(3)	0.00%	(753)	-0.05%
Realignment of tax bases and carrying amounts and taxation for previous years	(2,607)	-0.37%	70	0.00%
Other	(4,104)	-0.59%	(6,652)	-0.44%
Effective tax charge	**243,081**	**34.89%**	**272,570**	**17.83%**

Current tax assets and liabilities

tab. C13.3 - Movements in current tax assets/(liabilities)

Item	Current taxes for the year ended 31 December 2014			Current taxes for the year ended 31 December 2013		
	IRES	IRAP		IRES	IRAP	
	Assets/ (Liabilities)	Assets/ (Liabilities)	Total	Assets/ (Liabilities)	Assets/ (Liabilities)	Total
Balance at 1 January	**558,679**	**58,150**	**616,829**	**446,036**	**12,867**	**458,903**
Payments of	291,907	229,909	521,816	347,204	318,414	665,618
prepayments for the current year	228,486	224,551	453,037	344,988	266,776	611,764
balance payable for the previous year	63,421	5,358	68,779	2,216	51,638	53,854
Provisions to profitor loss for	(287,981)	(239,961)	(527,942)	(413,991)	(272,474)	(686,465)
current tax expense	(287,981)	(239,961)	(527,942)	(427,957)	(272,772)	(700,729)
realignment	-	-	-	13,966	298	14,264
Refund of IRES for previous years following change in legislation	-	-	-	222,772	-	222,772
Provisions to equity	13,601	-	13,601	(56,268)	-	(56,268)
Other	10,316	(78)	10,238	12,926	(657)	12,269
Balance at 31 December	**586,522**	**48,020**	**634,542**	**558,679**	**58,150**	**616,829**
of which:						
Current tax assets	605,107	53,183	658,290	628,084	90,590	718,674
Current tax liabilities	(18,585)	(5,163)	(23,748)	(69,405)	(32,440)	(101,845)

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

Current tax assets of €658,290 thousand at 31 December 2014 include:

- €500,624 thousand in tax credits, recognised in 2012 and 2013, in relation to the IRES refund arising from the overpayment of IRAP on non-deductible personnel expenses under Law Decree 201/2011 in the years from 2004 to 2011; this tax credit accrued interest of €10,776 thousand in 2014, which has been recognised in "Finance income" (tab. C12.1) and "Other receivables and assets" (Tab. A.8);
- €39,334 thousand due to the payment of increased tax expense as a result of the non-deductibility of 10% of IRAP between 2003 and 2007. A claim for a rebate of this amount was filed in previous years.

Deferred tax assets and liabilities

tab. C13.4 - Deferred taxes

Item	Balance at 31 December 2014	Balance at 31 December 2013
Deferred tax assets	702,190	673,349
Deferred tax liabilities	(1,047,401)	(505,550)
Total	**(345,211)**	**167,799**

The nominal tax rate for IRES is 27.5%, whilst the Group's average statutory rate for IRAP is 6.43%[45]. Movements in deferred tax assets and liabilities are shown below:

tab. C13.5 - Movements in deferred tax assets and liabilities

Item	2014	2013
Balance at 1 January	**167,799**	**492,946**
Deferred tax income/(expenses) recognised in profit or loss	43,193	(60,011)
Deferred tax income/(expenses) recognised in equity	(556,457)	(265,232)
Change in scope of consolidation	254	96
Balance at 31 December	**(345,211)**	**167,799**

[45] The nominal IRAP rate is 3.90% for most businesses, 4.65% for banks and 5.90% for insurance companies (+/- 0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

The following table shows a breakdown of movements in deferred tax assets and liabilities:

tab. C13.6 - Movements in deferred tax assets

Item	PPE and intangible assets	Fees to be amortised	Financial assets and liabilities	Contra asset accounts	Provisions for risks and charges	Trade and other receivables	Personnel expenses	Present value of employee termination benefits	Other	Total
Balance at 1 January 2013	**56,182**	**9,700**	**374,683**	**92,234**	**317,870**	**7,057**	**4,014**	**981**	**42,758**	**905,479**
Income/(Expenses) recognised in profit or loss	(662)	5,611	-	(466)	(61,967)	187	411	46	9,451	(47,389)
Income/(Expenses) recognised in profit or loss on realignment	-	-	(5,952)	(28)	(383)	(5,541)	(2,296)	-	-	(14,200)
Income/(Expenses) recognised in equity	-	-	(204,638)	-	-	-	-	(424)	34,425	(170,637)
Change in scope of consolidation	-	-	-	-	96	-	-	-	-	96
Balance at 31 December 2013	**55,520**	**15,311**	**164,093**	**91,740**	**255,616**	**1,703**	**2,129**	**603**	**86,634**	**673,349**
Income/(Expenses) recognised in profit or loss	237	2,759	781	35,965	35,895	(2,390)	15	(53)	177	73,386
Income/(Expenses) recognised in equity	-	-	(54,107)	-	-	-	-	34,771	(25,239)	(44,575)
Change in scope of consolidation	-	-	(116)	-	-	-	-	-	146	30
Balance at 31 December 2014	**55,757**	**18,070**	**110,651**	**127,705**	**291,511**	**(687)**	**2,144**	**35,321**	**61,718**	**702,190**

tab. C13.7 - Movements in deferred tax liabilities

Item	PPE	Intangible assets	Financial assets and liabilities	Deferred gains	Present value of employee termination benefits	Other	Total
Balance at 1 January 2013	**747**	**4,755**	**386,062**	**16,264**	**798**	**3,907**	**412,533**
Expenses/(Income) recognised in profit and loss	735	(1,541)	9,040	(9,618)	(33)	(39)	(1,456)
Expenses/(Income) recognised in profit and loss on realignment	-	-	(122)	-	-	-	(122)
Expenses/(Income) recognised in equity	-	-	94,545	-	50	-	94,595
Balance at 31 December 2013	**1,482**	**3,214**	**489,525**	**6,646**	**815**	**3,868**	**505,550**
Expenses/(Income) recognised in profit and loss	28	(1,515)	19,635	(5,971)	(69)	18,085	30,193
Expenses/(Income) recognised in equity	-	-	512,054	-	(172)	-	511,882
Change in scope of consolidation	-	-	-	-	-	(224)	(224)
Balance at 31 December 2014	**1,510**	**1,699**	**1,021,214**	**675**	**574**	**21,729**	**1,047,401**

The increase in deferred tax liabilities related to financial assets and liabilities is due mainly to movements in the fair value reserve, as described in section B4.

At 31 December 2014, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C13.8 - Deferred tax assets and liabilities recognised in equity

Item	Increases/(decreases) in equity For the year ended 31 December 2014	For the year ended 31 December 2013
Fair value reserve for available-for-sale financial assets	(534,985)	(248,636)
Cash flow hedge reserve for hedging derivatives	(31,176)	(50,547)
Actuarial gains/(losses) on employee termination benefits	34,943	(474)
Retained eanings due to shareholder transactions	(25,239)	34,425
Total	**(556,457)**	**(265,232)**

Income and expense generated by deferred taxation recognised in equity consists of €566,161 thousand in tax on the changes in the reserves shown in note B4 and €25,239 thousand in tax on the shareholder transactions described in note B3, less deferred tax assets of €34,943 thousand arising from the portion of employee termination benefits that, based on actuarial calculations, exceeds the amount calculated in accordance with article 2120 of the Italian Civil Code. In addition, a €13,601 thousand reduction in current tax expense, calculated on the deductible amount of unrealised actuarial losses on the employee termination benefits, has been recognised directly in equity. Therefore, during the year under review, equity decreased by €542,856 thousand as a result of income tax expense.

3.4 OPERATING SEGMENTS

The identified operating segments are Postal and Business services, Financial services and Insurance services, with the remaining activities allocated to the Other services segment.

The Postal and Business services segment also earns revenue from the services provided by the various Poste Italiane SpA functions to BancoPosta RFC. In this regard, separate General Operating Guidelines have been developed and approved by Poste Italiane SpA's Board of Directors which, in implementation of BancoPosta RFC's Regulation, identify the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated.

The result for each segment is based on operating profit/(loss). All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated financial statements.

The following results, which are shown separately in accordance with management's views and with applicable accounting standards, should be read in light of the integration of the services offered by the sales force within the postal, financial and insurance businesses, also considering the obligation to carry out the Universal Postal Service.

(€m)

For the year ended 31 December 2014	Postal and Business services	Financial services	Insurance services	Other services	Unallocated items	Adjustments and eliminations	Total
External revenue	4,074	5,358	18,840	240	-	-	28,512
Intersegment revenue	4,584	404	1	85	-	(5,074)	-
Total revenue	**8,658**	**5,762**	**18,841**	**325**	**-**	**(5,074)**	**28,512**
Amortisation, depreciation and impairments	(614)	(2)	(7)	(48)	-	-	(671)
Non-cash expenses	(138)	(30)	(12,581)	(5)	-	-	(12,754)
Total non-cash expenses	(752)	(32)	(12,588)	(53)	-	-	(13,425)
Operating profit/(loss)	**(504)**	**766**	**415**	**14**	**-**	**-**	**691**
Finance income /(costs)	-	-	-	-	7	-	7
Profit (loss) on investments accounted for using the equity method	(1)	-	-	-	-	-	(1)
Income tax expense					(485)	-	(485)
Profit/(Loss) for the year							**212**
Assets	**6,642**	**57,649**	**88,137**	**220**	**7,791**	**(1,480)**	**158,959**
Liabilities	**5,033**	**53,375**	**87,916**	**185**	**5,513**	**(1,481)**	**150,541**
Other information							
Capital expenditure	363	3	15	56	-	-	437
Investments accounted for using the equity method	1	-	-	-	-	-	1

(€m)

For the year ended 31 December 2013	Postal and Business services	Financial services	Insurance services	Other services	Unallocated items	Adjustments and eliminations	Total
External revenue	4,452	5,390	16,166	260	-	-	26,268
Intersegment revenue	4,521	349	1	77	-	(4,948)	-
Total revenue	**8,973**	**5,739**	**16,167**	**337**	**-**	**(4,948)**	**26,268**
Amortisation, depreciation and impairments	(547)	(2)	(4)	(36)	-	-	(589)
Non-cash expenses	54	(89)	(10,100)	(2)	-	-	(10,137)
Total non-cash expenses	(493)	(91)	(10,104)	(38)	-	-	(10,726)
Operating profit/(loss)	**300**	**663**	**411**	**25**	**-**	**1 ***	**1,400**
Finance income /(costs)	-	-	-	-	130	(1) *	129
Profit (loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(524)	-	(524)
Profit/(Loss) for the year							**1,005**
Assets	**6,432**	**53,301**	**68,255**	**244**	**6,687**	**(993)**	**133,926**
Liabilities	**4,790**	**50,615**	**68,158**	**229**	**3,807**	**(789)**	**126,810**
Other information							
Capital expenditure	447	4	11	43	-	-	505
Investments accounted for using the equity method	9	-	-	-	-	-	9

* Elimination of the costs incurred by Poste Italiane SpA for interest paid to consolidated subsidiaries (recognized by the latter in finance income).

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers is of no material significance. At 31 December 2014, all entities consolidated on a line-by-line basis are based in Italy, as is the majority of their client base; revenue from foreign clients does not represent a significant percentage of total revenue.

Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.

Unallocated assets consist of: cash and cash equivalents of €1,076 million, non-current financial assets of €3,387 million, deferred tax assets of €702 million, tax credits of €1,578 million, current financial assets of €390 million and current tax assets of €658 million.

Unallocated liabilities consist of: current financial liabilities of €1,295 million, non-current financial liabilities of €2,007 million, deferred tax liabilities of €1,047 million, taxes payable for €1,140 million and current tax liabilities of €24 million.

3.5 RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and results of operations

The impact of related party transactions on the financial position and results of operations is shown below.

tab. 3.5.1 - Impact of related party transactions on the financial position at 31 December 2014

Name	Balance at 31 December 2014						
	Financial assets	Trade receivables	Other assets other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	67	31	-	4	1,317	-
Kipoint SpA	213	175	2	-	61	657	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	391
Joint Ventures							
Uptime SpA	-	121	-	-	-	2,357	220
Associates							
Telma-Sapienza Scarl	-	-	-	-	14	-	-
Other SDA group associates	-	2,016	-	-	-	297	-
Related parties external to the Group							
MEF	6,246,892	1,390,021	547,521	933,566	1,919	95,101	10,221
Cassa Depositi e Prestiti Group	2,553,379	901,651	-	-	507,894	8,017	-
Enel Group	79,660	48,934	-	-	-	7,935	-
Eni Group	127,579	18,065	-	-	-	12,945	-
Equitalia Group	-	51,100	-	-	-	5,552	-
Finmeccanica Group	25,662	7	-	-	-	27,764	-
Other related parties external to the Group	78,369	4,141	-	-	-	12,216	60,698
Provision for doubtful debts owing from external related parties	-	(170,217)	(9,594)	-	-	-	-
Total	**9,111,754**	**2,246,081**	**537,960**	**933,566**	**509,892**	**174,158**	**71,530**

At 31 December 2014, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €65,460 thousand.

tab. 3.5.2 - Impact of related party transactions on the financial position at 31 December 2013

Name	Balance at 31 December 2013						
	Financial assets	Trade receivables	Other assets other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	3	117	27	-	4	1,176	-
Kipoint SpA	53	166	-	-	188	572	(2)
PatentiViaPoste ScpA	99	1,331	-	-	1,961	319	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	7
Poste Tributi ScpA	5,483	8,560	2	-	2,025	2,480	-
Joint ventures							
Uptime SpA	-	129	-	-	-	2,850	-
Associates							
Docugest SpA	-	4,332	44	-	-	3,241	-
Other SDA group associates	-	2,982	-	-	-	-	-
Related parties external to the Group							
MEF	6,311,317	1,164,954	13,688	529,414	3,575	101,241	12,140
Cassa Depositi e Prestiti Group	2,663,737	893,533	-	-	1,887,847	-	-
Enel Group	79,356	69,332	-	-	-	8,631	-
Eni Group	114,275	2,531	-	-	-	16,048	-
Equitalia Group	-	26,612	-	-	-	1,622	-
Finmeccanica Group	23,247	37	-	-	-	28,632	-
Other related parties external to the Group	70,635	4,798	-	-	673	14,475	58,578
Provision for doubtful debts owing from external related parties	-	(54,870)	(8,869)	-	-	-	-
Total	**9,268,205**	**2,124,544**	**4,892**	**529,414**	**1,896,273**	**181,287**	**70,723**

tab. 3.5.3 - Impact of related party transactions on the results of operations for the year ended 31 December 2014

Name	For the year ended 31 December 2014								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Goods and services	Personnel expenses	Other operating costs	Finance costs
Subsidiaries									
Address Software Srl	67	234	-	-	-	1,633	-	-	-
Kipoint SpA	54	171	2	-	-	1,361	-	-	-
Joint ventures									
Uptime SpA	15	18	-	-	-	5,430	-	-	-
Related parties external to the Group									
MEF	539,081	1,177	4,975	-	-	1,348	14	87,834	45
Cassa Depositi e Prestiti Group	1,641,662	3	137,948	-	4	23,168	-	754	4,553
Enel Group	111,359	1,772	3,178	46	-	29,735	-	313	91
Eni Group	30,832	37	3,825	-	-	52,434	- -	1,524	-
Equitalia Group	63,024	313	-	-	-	3,670	-	-	-
Finmeccanica Group	112	-	1,097	26	7,018	34,436	-	-	-
Other related parties external to the Group	20,343	3,174	2,152	-	13	15,920	40,083	2,855	-
Total	**2,406,549**	**6,899**	**153,177**	**72**	**7,035**	**169,135**	**40,097**	**90,232**	**4,689**

At 31 December 2014, total provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €6,305 thousand.

tab. 3.5.4 - Impact of related party transactions on the results of operations for the year ended 31 December 2013

Name	For the year ended 31 December 2013								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Goods and services	Personnel expenses	Other operating costs	Finance costs
Subsidiaries									
Address Software Srl	4	346	3	-	-	1,701	-	-	-
Kipoint SpA	58	166	2	-	-	1,270	-	4	-
PatentiViaPoste ScpA	1,328	-	1	-	-	-	-	319	-
Poste Holding Participacoes do Brasil Ltda	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA	9,528	227	68	-	-	1	-	2,179	-
Joint ventures									
Uptime SpA	15	18	-	-	-	5,901	-	-	-
Associates									
Docugest SpA	755	(13)	-	-	-	6,953	-	9	-
Related parties external to the Group									
MEF	731,105	1,124	18,667	18,000	-	1,075	-	(9,389)	70
Cassa Depositi e Prestiti Group	1,620,766	2	20,769	-	-	18,713	4	-	8,705
Enel Group	115,434	1,287	705	45	-	3,328	-	227	72
Eni Group	2,907	363	881	-	-	60,247	-	1,682	-
Equitalia Group	72,616	173	-	-	-	2,683	-	-	-
Finmeccanica Group	156	1	279	1,402	9,323	41,814	-	-	-
Other related parties external to the Group	18,269	3,028	501	-	-	15,000	39,604	2,347	-
Total	**2,572,941**	**6,722**	**41,876**	**19,447**	**9,323**	**158,686**	**39,608**	**(2,622)**	**8,847**

The nature of the Parent Company's principal transactions with related parties external to the Group is summarised below in order of relevance.

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as reimbursement for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, and for collection of tax returns.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services, etc. The costs incurred primarily relate to the supply of gas.
- Amounts received from the Equitalia Group primarily relate to payment for the integrated notification service and for unfranked mail. The costs incurred primarily relate to electronic transmission of tax collection data.
- Amounts received from the Eni Group relate primarily to payment for mail shipments. The costs incurred relate to the supply of fuel for motorcycles and vehicles and the supply of gas.
- Purchases from the Finmeccanica Group primarily relate to the supply, by Selex ES SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting and software maintenance, and the supply of software licences and of hardware.

Key management personnel

Following the changes carried out in 2014, key management personnel consist of Directors of the Parent Company and managers at the first organisational level of Poste Italiane. The related remuneration, gross of expenses and social security contributions, of such key management personnel as defined above and as of the date of the changes, is as follows:

tab. 3.5.5 - Remuneration of key management personnel

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration paid in short/medium term	13,486	17,630
Post-employment benefits	147	462
Other deferred benefits	-	-
Employment termination benefits (*)	14,310	-
Total	**27,943**	**18,092**

(*) Due also to prior individual agreements.

No loans were granted to key management personnel during 2014 and at 31 December 2014, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with staff pensions funds

The Parent Company and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's By-laws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. The Fund's Board of Directors takes decisions including:

- the general criteria for the allocation of risk in terms of investments and investment policies;
- the choice of fund manager and custodian bank.

3.6 OTHER INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

Analysis of net debt/(funds)

At 31 December 2014, the Poste Italiane Group's net debt/(funds) is as follows:

tab. 3.6.1 - Net debt/(funds)

Item	Note	Balance at 31 December 2014	*of which related parties*	Balance at 31 December 2013	*of which related parties*
Financial liabilities	[tab. B8]	55,357,937		51,770,305	
Postal current accounts		40,615,151	*79*	41,041,086	*4,178*
Bonds		2,044,990	-	1,279,528	-
Financial institutions borrowings		8,411,345	*504,512*	6,546,414	*1,770,872*
Borrowings		3,381	*3,382*	116,975	*116,975*
Finance leases		13,862	-	15,030	-
Derivative financial instruments		1,778,226	-	496,485	-
Other financial liabilities		2,490,982	*1,919*	2,274,787	*4,248*
Technical provisions for insurance business	[tab. B5]	87,219,223	-	68,004,986	-
Financial assets	[tab. A5]	(142,686,492)		(118,466,609)	
Loans and receivables		(8,897,555)	*(5,162,318)*	(7,829,527)	*(5,327,300)*
Held-to-maturity financial assets		(14,099,686)	-	(15,221,162)	-
Available-for-sale financal assets		(107,146,748)	*(3,398,468)*	(84,812,937)	*(3,438,955)*
Financial assets recognised at fair value through profit or loss		(12,155,024)	*(550,968)*	(10,273,833)	*(501,950)*
Derivative financial instruments		(387,479)	-	(329,150)	-
Technical provisions for claims attributable to reinsurers	[tab. A8]	(54,403)	-	(40,340)	-
Net financial liabilities/(assets)		**(163,735)**		**1,268,342**	
Cash and deposits attributable to BancoPosta	[tab. A9]	(2,873,042)	-	(3,079,693)	-
Cash and cash equivalents	[tab. A10]	(1,703,765)	*(933,566)*	(1,445,334)	*(529,414)*
Net debt/(funds)		**(4,740,542)**		**(3,256,685)**	

At 31 December 2014, the fair value reserves related to available-for-sale financial assets amount to €2,651 million (€975 million at 31 December 2013), inclusive of the relevant taxation.

Determination of fair value

The fair value measurement techniques used by the Poste Italiane Group are described in note 2.4. This section provides additional information regarding determination of the fair value of the financial assets and liabilities recognised at their fair value. Additional information related to financial assets and liabilities recognised at their amortised cost is provided in the respective notes.

The table below breaks down the fair value of financial assets and liabilities by level in the fair value hierarchy:

POSTE ITALIANE GROUP - Fair value hierarchy

Item	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale financial assets	102,323,945	4,574,768	248,035	107,146,748	83,220,761	1,300,336	291,840	84,812,937
Equity instruments	8,032	56,313	5,285	69,630	5,285	47,295	80,438	133,018
Fixed-income instruments	102,310,301	3,268,114	-	105,578,414	81,884,965	1,253,041	-	83,138,006
Other investments	5,612	1,250,342	242,750	1,498,704	1,330,511	-	211,402	1,541,913
Financial instruments at FV through profit or loss	7,274,297	4,880,728	-	12,155,024	9,769,432	504,402	-	10,273,833
Fixed-income instruments	7,274,297	96,128	-	7,370,424	6,558,294	2,452	-	6,560,746
Structured bonds	-	2,367,036	-	2,367,036	2,481,302	501,950	-	2,983,252
Other investments	-	2,417,564	-	2,417,564	729,835	-	-	729,835
Derivative financial instruments	-	387,479	-	387,479	-	329,150	-	329,150
TOTAL ASSETS AT FAIR VALUE	109,598,241	9,842,975	248,035	119,689,251	92,990,193	2,133,888	291,840	95,415,920
Financial liabilities								
Financial liabilities at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	-	(1,778,226)	-	(1,778,226)	-	(496,486)	-	(496,486)
TOTAL LIABILITIES AT FAIR VALUE	-	(1,778,226)	-	(1,778,226)	-	(496,486)	-	(496,486)

Details of transfers of financial instruments measured at fair value between level 1 and level 2 of the hierarchy on a recurring basis are as follows.

Transfers from level 1 to level 2

Item	At 31 December 2014	
	Level 1	Level 2
Transfers of financial assets	(6,146,507)	6,146,507
AFS financial assets		
Equity instruments	-	-
Fixed income instruments	(2,367,013)	2,367,013
Other investments	(1,250,342)	1,250,342
Financial assets at fair value through profit or loss		
Fixed income instruments	(93,749)	93,749
Structured bonds	(1,816,070)	1,816,070
Other investments	(619,333)	619,333
Transfers of financial liabilities	-	-
Financial liabilities at fair value	-	-
Derivative financial instruments	-	-
Net transfers from level 1 to level 2	(6,146,507)	6,146,507

The reclassifications in question relate to financial assets held by Poste Vita SpA and result from implementation of the Group's new Fair Value Policy. In particular, transfers of bonds from level 1 to level 2 and structured bonds are due to the application of stricter standards for the definition of a "liquid and active" market, a feature that is measured mainly by reference to the bid-ask spread. The transfers of available-for-sale financial assets include bonds issued by CDP SpA, totalling approximately €1,154 million, and coupon-stripped Italian government bonds, totalling €275 million, both relating to hedges of Branch I products.

The transfers of financial assets designated at fair value recognized through profit or loss include coupon-stripped Italian government bonds and structured bonds and are due to the same reasons as described above. The transfers of "Other investments" are due to the classification at a lower level of mutual funds recognised on the basis of the relevant NAV, as these are not quoted directly on active markets, even though their liquidity is comparable to that of level 1 financial instruments.

No reclassifications were made from level 2 to level 1.

Reconciliation of the opening and closing balances of financial instruments measured at fair value on a recurring basis, classified in level 3, is shown below.

POSTE ITALIANE GROUP - Movements in financial instruments at fair value (level 3)

Item	Financial assets			
	Available-for-sale	Fair value through profit or loss	Derivative financial instruments	Total
Opening balance at 1 January 2013	2,229,658	708,679	-	2,938,337
Purchases/Issues	227,301	41,576	-	268,877
Sales/Extinguishment of initial accruals	(1,188,096)	(82,865)	-	(1,270,961)
Redemptions	-	-	-	-
Movements in fair value through profit or loss	-	14,927	-	14,927
Movements in fair value through equity	104,091	-	-	104,091
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	(12,496)	424	-	(12,072)
Transfers to level 3	-	-	-	-
Transfers to other levels	(1,068,618)	(682,741)	-	(1,751,359)
Movements in amortised cost	-	-	-	-
Other movements (including accruals at the end of the period)	-	-	-	-
Closing balance at 31 December 2013	291,840	-	-	291,840
Purchases/Issues	47,861	-	-	47,861
Sales/Extinguishment of initial accruals	(30,205)	-	-	(30,205)
Redemptions	-	-	-	-
Movements in fair value through profit or loss	-	-	-	-
Movements in fair value through equity	14,978	-	-	14,978
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	(1,439)	-	-	(1,439)
Transfers to level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Movements in amortised cost	-	-	-	-
Impairments	(75,000)	-	-	(75,000)
Other movements (including accruals at the end of the period)	-	-	-	-
Closing balance at 31 December 2014	248,035	-	-	248,035

The principal movement during the year regards the impairment of the Parent Company's investment in Alitalia CAI SpA (today CAI SpA) (tab. A5.9).

Other movements relate to purchases or sales of financial instruments held by the Group's insurance companies and almost entirely consisting of units of closed-end private equity funds and real estate funds. In the case of these instruments, the fair value of the underlying, represented by unlisted equities and investment property, cannot be determined on the basis of observable inputs. Therefore, as measurement of these instruments is analytical, the non-observable inputs that determine significant changes in their fair value depend on the specific valuation methodologies applicable to private equity funds and real estate funds. For example, attention is paid to the economic context in which the funds' portfolio companies operate, their operating costs and their revenue, while for properties the focus is on the prices at which they are bought and sold in the markets of reference and/or generated and expected cash flows. On the other hand, the net asset value of private equity funds - as reflected in their audited financial statements made available quarterly and adjusted by Poste Vita, partly on the basis of the units outstanding and any dividends paid - shows a positive correlation with key indicators for the industries in which the funds have the largest exposures (energy, small and medium enterprises, corporate restructuring). Specifically, private equity investments are positively linked to the real performance of the overall economy and equity indices on which the shares of listed companies belonging to the same economic sector are quoted. The net asset value of the real estate funds, which are also subject to adjustments by the Company, depends on the performance of the European property market, especially office buildings, which constitute the bulk of the investments made by the real estate funds in which it has invested.

Offsetting financial assets and liabilities

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, this section provides details of financial assets and liabilities that are subject to a master netting agreement or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32[46].

In particular, the disclosures in question concern the following positions at 31 December 2014:

- derivative assets and liabilities and related collateral, represented by both cash and government securities;
- repurchase agreements and related collateral, represented by both cash and government securities;
- borrowings and related government securities provided as collateral for transactions entered into by BdM-MCC SpA with the ECB.

Financial assets/liabilities offset in the statement of financial position, or subject to a master netting agreement or similar arrangements

Category	Gross amount of financial assets(*) (a)	Gross amount of financial liabilities(*) (b)	Amount of financial assets/(liabilities) offset in the statement of financial position (c)	Net amount of financial assets/(liabilities) (d=a+b+c)	Correlated amounts not offset in the statement of financial position			Net amount of financial assets/(liabilities) at 31 December 2014 (h=d+e+f+g)
					Financial instruments transferred or posted as collateral (e)	Collateral		
						Securities given/(received) as collateral (f)	Cash given/(received) as collateral (g)	
Year ended 31 December 2014								
Derivatives	181,020	(1,778,226)	-	(1,597,206)	-	741,693	809,019	(46,494)
Repurchase agreements	-	(6,203,397)	-	(6,203,397)	6,203,397	-	-	-
Other	-	(889,837)	-	(889,837)	837,311	-	-	(52,526)
Total at 31 December 2014	181,020	(8,871,460)	-	(8,690,440)	7,040,708	741,693	809,019	(99,020)
Year ended 31 December 2013								
Derivatives	118,583	(496,486)	-	(377,903)	-	106,575	268,988	(2,340)
Repurchase agreements	-	(5,676,671)	-	(5,676,671)	5,675,425	-	1,246	-
Other	-	(200,076)	-	(200,076)	200,076	-	-	-
Total at 31 December 2013	118,583	(6,373,233)	-	(6,254,650)	5,875,501	106,575	270,234	(2,340)

* The gross amount of financial assets and liabilities includes financial instruments offset in the statement of financial position or subject to a master netting agreement or similar arrangements, regardless of whether they are offset.

Transfer of financial assets that are not derecognised

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement). At 31 December 2014, these assets concern the repurchase agreements entered into by the Parent Company with primary financial intermediaries.

Poste Italiane Group - Transfer of financial assets that are not derecognised

Item	Note	At 31 December 2014			At 31 December 2013		
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial services							
Held-to-maturity financial assets	[A5]	5,373,962	5,415,078	6,089,243	5,090,003	5,153,399	5,520,033
Available-for-sale financial assets	[A5]	-	-	-	214,000	225,027	225,027
Financial liabilities arising from repos	[B8]	(5,612,832)	(5,639,168)	(5,662,575)	(4,963,929)	(4,999,569)	(5,020,101)
Postal and business services							
Held-to-maturity financial assets		-	-	-	-	-	-
Available-for-sale financial assets	[A5]	500,000	569,227	569,227	650,000	675,895	675,895
Financial liabilities arising from repos	[B8]	(564,170)	(564,229)	(564,271)	(676,959)	(677,102)	(677,186)
Total		**(303,040)**	**(219,092)**	**431,624**	**313,115**	**377,650**	**723,668**

[46] Paragraph 42 of IAS 32 provides that *"A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:*
(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis or to realise the asset and settle the liability simultaneously."

3.7 OTHER INFORMATION

Postal savings deposits

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

tab. 3.7.1 - Postal savings deposits

Item	At 31 December 2014	At 31 December 2013
Post office savings books	114,358,856	106,920,022
Interest-bearing Postal Certificates	211,332,916	211,706,910
Cassa Depositi e Prestiti	139,814,813	137,857,442
MEF	71,518,103	73,849,468
Total	325,691,772	318,626,932

Assets under management

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the year, break down as follows:

tab. 3.7.2 - Assets under management

Item	At 31 December 2014	At 31 December 2013
Collective investment funds		
Funds managed by the Group	1,894,759	1,568,359
Funds managed by third parties	3,153,012	2,998,004
Total	5,047,771	4,566,363

Average assets under management by the Group, in proprietary and third parties' mutual funds, amount to €5,016 million for 2014. BancoPosta Fondi SpA SGR also manages the individual investment portfolios of Poste Vita SpA and Poste Assicura SpA.

Commitments

Purchase commitments relating primarily to the Parent Company break down as follows.

tab. 3.7.3 - Commitments

Item	At 31 December 2014	At 31 December 2013
Purchase commitments		
Property leases	580,868	570,657
Property, plant and equipment	61,367	42,357
Intangible assets	28,975	22,616
Investment property	2	54
Vehicle leases	48,844	122,270
Other contracts	24,545	43,049
Committed lines of credit		
Loans agreed to be disbursed	67,758	35,749
Total	**812,359**	**836,752**

For 2015, Poste Energia SpA gave a commitment to purchase electricity on regulated forward markets with a total value of €5,922 thousand. At 31 December 2014, the corresponding market value is €5,569 thousand.

Future commitments related to property leases, which may generally be terminated with six months' notice, break down by due date as follows:

tab. 3.7.3 a) - Property lease commitments

Item	At 31 December 2014	At 31 December 2013
Lease rentals due:		
Within 12 months	163,392	152,185
Between 2 and 5 years after end of reporting period	358,673	356,902
After 5 years	58,803	61,570
Total	**580,868**	**570,657**

Guarantees

Unsecured guarantees issued by the Group are as follows:

tab. 3.7.4 - Guarantees

Item	At 31 December 2014	At 31 December 2013
Sureties and other guarantees issued:		
by the Group in its own interests in favour of third parties	260,900	220,477
by banks in the interests of Group companies in favour of third parties	-	154
Total	**260,900**	**220,631**

Third-party assets

tab. 3.7.5 - Third-party assets

Item	At 31 December 2014	At 31 December 2013
Bonds subscribed by customers held at third-party banks	7,746,715	11,899,008
Other assets	21,917	25,452
Total	**7,768,632**	**11,924,460**

Assets in the process of allocation

At 31 December 2014, the Parent Company had paid a total of €206,909 thousand in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

Disclosure of fees paid to the independent auditors

Poste Italiane SpA has voluntarily adopted guidelines governing the procedures for awarding contracts to the Independent Auditors or companies within its network. The guidelines also require the Company to provide a summary of the contracts awarded. The following table shows fees, broken down by type of service, payable to PricewaterhouseCoopers SpA and companies within its network for 2014 and 2013.

tab. 3.7.6 - Disclosure of fees paid to Independent Auditors

Item	Entity providing the service	Fees (*) For the year ended 31 December 2014	For the year ended 31 December 2013
Audit	PricewaterhouseCoopers SpA	2,404	2,102
	PricewaterhouseCoopers network	-	-
Voluntary audits or audit-related services	PricewaterhouseCoopers SpA	336	274
	PricewaterhouseCoopers network	-	190
Services other than audit	PricewaterhouseCoopers SpA	96	-
	PricewaterhouseCoopers network	174	642
Total		**3,010**	**3,208**

(*)The above amounts do not include incidental expenses and charges (for example, the regulatory fee paid to the CONSOB).

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – *Consolidated Financial Statements*. However, these funds qualify as unconsolidated structured entities. A structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

At 31 December 2014, the above definition encompasses the following:

- *BlackRock MultiAssets diversified distribution fund* (Open-end fund)
- *Advanced Capital Energy Fund* (Closed-end Fund)
- *Piano 400 Fund Deutsche Bank* (Open-end fund)
- *Tages Capital Platinum* (Open-end fund)
- *Tages Platinum Growth* (Open-end fund)

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Brach I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government bonds and euro-denominated corporate bonds. Details are provided below.

(€000)

ISIN	Name	Nature of entity	Activity of fund	% investment	NAV	
					At	Amount
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Harmonised open-end UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100%	31 Dec 2014	1,798,231
IT0004597396	ADVANCED CAPITAL ENERGY FUND	Non-harmonised closed-end fund of funds	Investment in energy companies to increase their value and, via the subsequent sale, generate capital gains	86%	30 Sept 2014	19,876
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Harmonised open-end	Investment in a mix of asset classes, above all debt instruments from various sectors and countries	100%	30 Dec 2014	512,560
IT0004801996	TAGES CAPITAL PLATINUM	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with a low degree of volatility and long-term correlation with the principal financial markets	100%	30 Nov 2014	211,097
IT0004937691	TAGES PLATINUM GROWTH	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with a low degree of volatility and long-term correlation with the principal financial markets	100%	30 Nov 2014	193,732

Nature of the risk

The company's investments in the funds in question are reported at fair value (level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Branch I policies (Separately Managed Accounts) and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Details are provided below.

(€000)

ISIN	Name	Category in financial statements	Carrying amount of investment	Maximum loss exposure	Comparison of carrying amount and maximum exposure	Method for determining maximum loss exposure
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Financial assets at fair value through profit or loss	1,798,231	239,501	1,558,730	Value at Risk
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Available-for-sale financial assets	17,135	9,681	7,454	Capital loss absorption
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Available-for-sale financial assets	512,560	13,239	499,321	Difference between market value at the measurement date and par value
IT0004801996	TAGES CAPITAL PLATINUM	Available-for-sale financial assets	211,097	33,142	177,955	Capital loss absorption
IT0004937691	TAGES PLATINUM GROWTH	Available-for-sale financial assets	193,732	15,219	178,513	Capital loss absorption

The table below refers only to BlackRock and to the different types of financial instrument and the main markets in which the Fund invests.

BlackRock Diversified Distribution Fund Institutional

(€000)

Item	Nominal value	Fair value
Financial instruments		
Loans and receivables (in foreign currency)	-	(2,199)
Equity instruments (in foreign currency)	10,876	211,682
Government securities (in euros)	82,491	96,181
Government securities (in foreign currency)	387,138	330,744
Corporate bonds (in euros)	43,139	43,892
Corporate bonds (in foreign currency)	968,923	839,662
Cash	139,986	125,793
Other investments (funds, etc.)	37,572	202,879
Derivative financial instruments		
Forwards	-	(50,292)
Futures	-	(625)
Swaps	-	513
Total	1,670,126	1,798,231

BlackRock Diversified Distribution Fund Institutional

(€000)

Market of reference and UCITS funds	Fair value
Hong Kong	28,492
Dublin	30,956
Paris	28,793
Luxembourg	28,123
Singapore	54,053
London	43,232
Eurotlx	25,655
Euromtf	52,549
Euronext	16,451
Germany (Frankfurt, Berlin, Munich)	289,321
New York	873,223
Other	124,004
Funds	203,379
Total	1,798,231

3.8 INFORMATION ON INVESTMENTS

Details of this item are as follows:

tab. 3.8.1 - List of investments consolidated on a line-by-line basis

Name (registered office)	% interest	Share capital	Profit/(loss) for the year	Equity
BancoPosta Fondi SpA SGR *(Rome)*	100.00%	12,000	14,092	60,274
Banca del Mezzogiorno - MedioCredito Centrale SpA *(Rome)*	100.00%	364,509	37,562	426,747
Consorzio Logistica Pacchi ScpA *(Rome)*	100.00%	516	-	516
Consorzio per i Servizi di Telefonia Mobile ScpA *(Rome)* (*)	100.00%	120	-	120
Consorzio PosteMotori *(Rome)*	80.75%	120	-	120
Europa Gestioni Immobiliari SpA *(Rome)*	100.00%	103,200	45	362,857
Italia Logistica Srl *(Rome)*	100.00%	300	(5,496)	(4,129)
Mistral Air Srl *(Rome)*	100.00%	1,000	(2,495)	3,998
PatentiViaPoste ScpA *(Rome)* (*)	86.86%	120	-	121
Postecom SpA *(Rome)*	100.00%	6,450	(1,035)	50,815
PosteMobile SpA *(Rome)*	100.00%	32,561	7,760	72,660
Poste Energia SpA *(Rome)*	100.00%	120	1,458	2,780
Poste Tributi ScpA *(Rome)* (*)	90.00%	2,583	-	2,517
PosteTutela SpA *(Rome)*	100.00%	153	902	12,401
Poste Vita SpA *(Rome)* (*)	100.00%	1,216,608	350,157	3,052,208
Poste Assicura SpA *(Rome)* (*)	100.00%	25,000	7,254	54,813
Postel SpA *(Rome)*	100.00%	20,400	146	134,716
PostelPrint SpA *(Rome)*	100.00%	7,140	322	39,087
PosteShop SpA *(Rome)*	100.00%	2,582	(12,544)	(7,752)
SDA Express Courier SpA *(Rome)*	100.00%	30,000	(21,273)	784

(*) These figures have been calculated under IFRS, and may not be consistent with those included in the financial statements prepared in accordance with the Italian Civil Code and Italian GAAP.

tab. 3.8.2 - List of investments accounted for using the equity method

Name *(registered office)*	% interest	Assets	Liabilities	Revenue from sales from services	Profit/(Loss) for the year
Address Software Srl *(Rome)*	51.00%	1,831	1,477	2,177	34
ItaliaCamp Srl *(Rome)* (a)	20.00%	45	27	117	11
Italo-Brasil Holding SA *(Sao Paolo - Brazil)* (b)	100.00%	-	240	-	(229)
Kipoint SpA *(Rome)*	100.00%	2,470	2,108	3,885	(33)
Poste Holding Participações do Brasil Ltda *(Sao Paolo - Brazil)* (b)	100.00%	1,009	1,018	-	(18)
Programma Dinamico SpA *(Rome)* (c)	0.00%	272	153	126	(28)
Telma Sapienza Scarl *(Rome)* (a)	29.74%	1,681	30	-	8
Uptime SpA *(Rome)* (a)	28.57%	3,883	3,700	7,393	14

(a) Data from the company's latest approved financial statements for the year ended 31 December 2013.

(b) Data from the company's latest approved financial statements for the year ended 30 June 2014.

(c) Data from the company's latest approved financial statements for the year ended 31 December 2013; no Group company has any equity interest in Programma Dinamico SpA.

3.9 EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period are described in the above notes and there are no other significant events occurring after 31 December 2014.

Separate financial statements for the year ended 31 December 2014

CONTENTS

4.1 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

at 31 December

(€)

ASSETS	Note	2014	*of which related party transactions*	2013	*of which related party transactions*
Non-current assets					
Property, plant and equipment	[A1]	2,171,536,959	-	2,366,872,014	-
Investment property	[A2]	66,764,604	-	68,931,580	-
Intangible assets	[A3]	375,116,844	-	427,707,832	-
Investments	[A4]	2,029,998,976	*2,029,998,976*	1,812,290,712	*1,812,290,712*
Financial assets attributable to BancoPosta	[A5]	39,097,602,730	-	37,190,437,268	-
Financial assets	[A6]	1,103,013,684	*450,944,876*	1,149,793,833	*543,059,407*
Trade receivables	[A7]	50,265,090	-	95,450,779	-
Deferred tax assets	[C10]	583,426,532	-	554,565,155	-
Other receivables and assets	[A8]	730,721,883	*1,465,574*	552,776,982	*1,465,574*
Total		**46,208,447,302**		**44,218,826,155**	
Current assets					
Trade receivables	[A7]	3,437,589,531	*2,493,561,420*	3,332,785,269	*2,357,393,341*
Current tax assets	[C10]	603,865,948	-	617,914,306	-
Other receivables and assets	[A8]	1,464,208,245	*538,278,698*	880,580,677	*4,595,675*
Financial assets attributable to BancoPosta	[A5]	11,188,971,013	*6,130,102,553*	9,312,104,568	*6,086,122,109*
Financial assets	[A6]	648,254,841	*582,385,760*	860,809,034	*664,846,800*
Cash and deposits attributable to BancoPosta	[A9]	2,873,042,628	-	3,079,693,387	-
Cash and cash equivalents	[A10]	985,535,946	*933,565,737*	587,651,681	*529,414,111*
Total		**21,201,468,152**		**18,671,538,922**	
Non-current assets held for sale	[A11]	**-**	**-**	**-**	**-**
TOTAL ASSETS		**67,409,915,454**		**62,890,365,077**	

LIABILITIES AND EQUITY	Note	2014	*of which related party transactions*	2013	*of which related party transactions*
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Reserves	[B3]	2,933,893,062	-	1,801,921,337	-
Retained earnings		2,264,920,280	-	2,322,174,349	-
Total		**6,504,923,342**		**5,430,205,686**	
Non-current liabilities					
Provisions for risks and charges	[B4]	542,844,721	*53,450,363*	511,025,789	*49,281,868*
Employee termination benefits	[B5]	1,434,433,073	-	1,301,616,359	-
Financial liabilities attributable to BancoPosta	[B6]	3,223,831,167	-	4,246,120,893	*915,806,250*
Financial liabilities	[B7]	1,252,463,322	*1,030,819*	1,221,645,279	*3,381,593*
Deferred tax liabilities	[C10]	858,201,983	-	387,501,955	-
Other liabilities	[B9]	705,029,836	-	483,856,138	-
Total		**8,016,804,102**		**8,151,766,413**	
Current liabilities					
Provisions for risks and charges	[B4]	703,960,650	*12,009,196*	577,801,477	*10,774,820*
Trade payables	[B8]	1,222,090,296	*442,622,390*	1,313,997,097	*459,275,723*
Current tax liabilities	[C10]	-	-	2,617,678	-
Other liabilities	[B9]	1,433,809,578	*91,612,319*	1,631,039,372	*258,301,506*
Financial liabilities attributable to BancoPosta	[B6]	47,275,327,192	*591,132,675*	44,456,318,220	*916,073,111*
Financial liabilities	[B7]	2,253,000,294	*889,734,658*	1,326,619,134	*419,638,260*
Total		**52,888,188,010**		**49,308,392,978**	
TOTAL LIABILITIES AND EQUITY		**67,409,915,454**		**62,890,365,077**	

STATEMENT OF FINANCIAL POSITION (continued)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31 DECEMBER 2014

(€)

ASSETS	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Non-current assets					
Property, plant and equipment		2,171,536,959	-	-	2,171,536,959
Investment property		66,764,604	-	-	66,764,604
Intangible assets		375,116,844	-	-	375,116,844
Investments		2,029,998,976	-	-	2,029,998,976
Financial assets attributable to BancoPosta	[A5]	-	39,097,602,730	-	39,097,602,730
Financial assets		1,103,013,684	-	-	1,103,013,684
Trade receivables		50,265,090	-	-	50,265,090
Deferred tax assets	[C10]	372,007,828	211,418,704	-	583,426,532
Other receivables and assets	[A8]	168,066,838	562,655,045	-	730,721,883
Total		**6,336,770,823**	**39,871,676,479**	**-**	**46,208,447,302**
Current assets					
Trade receivables	[A7]	2,048,138,636	1,389,450,895	-	3,437,589,531
Current tax assets	[C10]	658,478,986	18,574,675	(73,187,713)	603,865,948
Other receivables and assets	[A8]	844,619,242	619,589,003	-	1,464,208,245
Financial assets attributable to BancoPosta	[A5]	-	11,188,971,013	-	11,188,971,013
Financial assets		648,254,841	-	-	648,254,841
Cash and deposits attributable to BancoPosta	[A9]	-	2,873,042,628	-	2,873,042,628
Cash and cash equivalents	[A10]	43,189,262	942,346,684	-	985,535,946
Total		**4,242,680,967**	**17,031,974,898**	**(73,187,713)**	**21,201,468,152**
Non-current assets held for sale		**-**	**-**	**-**	**-**
Intersegment relations net amount		**463,831,936**	**-**	**(463,831,936)**	**-**
TOTAL ASSETS		**11,043,283,726**	**56,903,651,377**	**(537,019,649)**	**67,409,915,454**

LIABILITIES AND EQUITY	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Reserves	[B3]	312,760,264	2,621,132,798	-	2,933,893,062
Retained earnings		1,029,191,712	1,235,728,568	-	2,264,920,280
Total		**2,648,061,976**	**3,856,861,366**	**-**	**6,504,923,342**
Non-current liabilities					
Provisions for risks and charges	[B4]	241,428,119	301,416,602	-	542,844,721
Employee termination benefits	[B5]	1,414,213,968	20,219,105	-	1,434,433,073
Financial liabilities attributable to BancoPosta	[B6]	-	3,223,831,167	-	3,223,831,167
Financial liabilities		1,252,463,322	-	-	1,252,463,322
Deferred tax liabilities	[C10]	7,639,843	850,562,140	-	858,201,983
Other liabilities	[B9]	65,990,618	639,039,218	-	705,029,836
Total		**2,981,735,870**	**5,035,068,232**	**-**	**8,016,804,102**
Current liabilities					
Provisions for risks and charges	[B4]	647,558,079	56,402,571	-	703,960,650
Trade payables	[B8]	1,152,017,703	70,072,593	-	1,222,090,296
Current tax liabilities	[C10]	-	73,187,713	(73,187,713)	-
Other liabilities	[B9]	1,360,909,804	72,899,774	-	1,433,809,578
Financial liabilities attributable to BancoPosta	[B6]	-	47,275,327,192	-	47,275,327,192
Financial liabilities		2,253,000,294	-	-	2,253,000,294
Total		**5,413,485,880**	**47,547,889,843**	**(73,187,713)**	**52,888,188,010**
Intersegment relations net amount		**-**	**463,831,936**	**(463,831,936)**	**-**
TOTAL LIABILITIES AND EQUITY		**11,043,283,726**	**56,903,651,377**	**(537,019,649)**	**67,409,915,454**

STATEMENT OF FINANCIAL POSITION (continued)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31 DECEMBER 2013

(€)

ASSETS	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Non-current assets					
Property, plant and equipment		2,366,872,014	-	-	2,366,872,014
Investment property		68,931,580	-	-	68,931,580
Intangible assets		427,707,832	-	-	427,707,832
Investments		1,812,290,712	-	-	1,812,290,712
Financial assets attributable to BancoPosta	[A5]	-	37,190,437,268	-	37,190,437,268
Financial assets		1,149,793,833	-	-	1,149,793,833
Trade receivables		95,450,779	-	-	95,450,779
Deferred tax assets	[C10]	295,851,629	258,713,526	-	554,565,155
Other receivables and assets	[A8]	197,755,051	355,021,931	-	552,776,982
Total		**6,414,653,430**	**37,804,172,725**	**-**	**44,218,826,155**
Current assets					
Trade receivables	[A7]	1,940,300,781	1,392,484,488	-	3,332,785,269
Current tax assets	[C10]	666,327,522	12,454,116	(60,867,332)	617,914,306
Other receivables and assets	[A8]	296,205,698	584,374,979	-	880,580,677
Financial assets attributable to BancoPosta	[A5]	-	9,312,104,568	-	9,312,104,568
Financial assets		860,809,034	-	-	860,809,034
Cash and deposits attributable to BancoPosta	[A9]	-	3,079,693,387	-	3,079,693,387
Cash and cash equivalents	[A10]	43,896,829	543,754,852	-	587,651,681
Total		**3,807,539,864**	**14,924,866,390**	**(60,867,332)**	**18,671,538,922**
Non-current assets held for sale		**-**	**-**	**-**	**-**
Intersegment relations net amount		**152,566,020**	**-**	**(152,566,020)**	**-**
TOTAL ASSETS		**10,374,759,314**	**52,729,039,115**	**(213,433,352)**	**62,890,365,077**

LIABILITIES AND EQUITY	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Reserves	[B3]	296,395,308	1,505,526,029	-	1,801,921,337
Retained earnings		1,350,399,732	971,774,617	-	2,322,174,349
Total		**2,952,905,040**	**2,477,300,646**	**-**	**5,430,205,686**
Non-current liabilities					
Provisions for risks and charges	[B4]	216,582,497	294,443,292	-	511,025,789
Employee termination benefits	[B5]	1,283,398,976	18,217,383	-	1,301,616,359
Financial liabilities attributable to BancoPosta	[B6]	-	4,246,120,893	-	4,246,120,893
Financial liabilities		1,221,645,279	-	-	1,221,645,279
Deferred tax liabilities	[C10]	9,315,630	378,186,325	-	387,501,955
Other liabilities	[B9]	69,450,433	414,405,705	-	483,856,138
Total		**2,800,392,815**	**5,351,373,598**	**-**	**8,151,766,413**
Current liabilities					
Provisions for risks and charges	[B4]	523,963,956	53,837,521	-	577,801,477
Trade payables	[B8]	1,259,430,758	54,566,339	-	1,313,997,097
Current tax liabilities	[C10]	2,617,678	60,867,332	(60,867,332)	2,617,678
Other liabilities	[B9]	1,508,829,933	122,209,439	-	1,631,039,372
Financial liabilities attributable to BancoPosta	[B6]	-	44,456,318,220	-	44,456,318,220
Financial liabilities		1,326,619,134	-	-	1,326,619,134
Total		**4,621,461,459**	**44,747,798,851**	**(60,867,332)**	**49,308,392,978**
Intersegment relations net amount		**-**	**152,566,020**	**(152,566,020)**	**-**
TOTAL LIABILITIES AND EQUITY		**10,374,759,314**	**52,729,039,115**	**(213,433,352)**	**62,890,365,077**

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

(€)

	Note	2014	*of which related party transactions*	2013	*of which related party transactions*
Revenue from sales and services	[C1]	8,470,673,537	*2,861,272,023*	8,978,220,179	*2,948,251,929*
Other income from financial activities	[C2]	388,970,860	-	307,504,806	-
Other operating income	[C3]	306,752,606	*218,185,385*	147,058,748	*15,967,776*
Total revenue		**9,166,397,003**		**9,432,783,733**	
Cost of goods and services	[C4]	1,921,417,420	*767,327,402*	2,024,373,246	*789,623,333*
Other expenses from financial activities	[C5]	5,765,896	-	7,293,207	-
Personnel expenses	[C6]	5,971,906,697	*41,969,470*	5,755,065,383	*40,769,747*
of which non-recurring costs/(income)		-	-	*(20,282,965)*	-
Depreciation, amortisation and impairments	[C7]	578,504,684	-	501,134,743	-
Capitalised costs and expenses		(6,217,969)	-	(4,908,704)	-
Other operating costs	[C8]	314,388,600	*99,027,216*	232,487,044	*(5,955,979)*
Operating profit/(loss)		**380,631,675**		**917,338,814**	
Finance costs	[C9]	178,624,848	*9,319,373*	92,642,828	*12,944,280*
of which non-recurring costs		*75,000,000*	-	-	-
Finance income	[C9]	70,977,003	*29,475,216*	139,124,841	*43,293,480*
of which non-recurring income		*10,486,885*	-	*57,901,557*	-
Profit/(Loss) before tax		**272,983,830**		**963,820,827**	
Income tax expense	[C10]	216,091,540	-	473,491,137	-
Income tax for previous years following change in legislation	[C10]	-	-	(217,758,449)	-
PROFIT FOR THE YEAR		**56,892,290**		**708,088,139**	

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

(€)

	Note	2014	2013
Profit/(Loss) for the year		56,892,290	708,088,139
Items to be reclassified in the Statement of profit or loss			
Available-for-sale financial assets			
Increase/(decrease) in fair value during the year	[tab. B3]	1,790,690,934	927,967,080
Transfers to profit or loss		(228,828,754)	(209,920,605)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B3]	143,870,358	188,215,651
Transfers to profit or loss		(46,483,337)	(30,643,341)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss		(527,277,476)	(273,398,121)
Items not to be reclassified in the Statement of profit or loss			
Actuarial gains/(losses) on provisions for employee termination benefits	[tab. B5]	(170,907,158)	78,657,581
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss		46,999,468	(21,630,835)
Total other components of comprehensive income		**1,008,064,035**	**659,247,410**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,064,956,325**	**1,367,335,549**

STATEMENT OF CHANGES IN EQUITY

(€)

	Equity						
		Reserves					
	Share capital	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings/ (Accummulated losses)	Total
Balance at 1 January 2013	**1,306,110,000**	**263,122,067**	**1,000,000,000**	**25,686,176**	**(125,219,823)**	**1,843,171,717**	**4,312,870,137**
Total comprehensive income for the year	-	-	-	495,195,176	107,025,488	765,114,885	1,367,335,549
Attribution of profit to reserves	-	36,112,253	-	-	-	(36,112,253)	-
Dividends paid	-	-	-	-	-	(250,000,000)	(250,000,000)
Other shareholder transactions	-	-	-	-	-	-	-
Cancellation of EC Decision of 16 July 2008	-	-	-	-	-	568,406,778	568,406,778
Amount due from shareholder for cancellation of EC Decision of 16 July 2008	-	-	-	-	-	(568,406,778)	(568,406,778)
Balance at 31 December 2013	**1,306,110,000**	**299,234,320**	**1,000,000,000**	**520,881,352**	**(18,194,335)**	**2,322,174,349**	**5,430,205,686**
of which attributable to BancoPosta RFC	-	-	1,000,000,000	523,720,364	(18,194,335)	971,774,617	2,477,300,646
Total comprehensive income for the year	-	-	-	1,065,760,966	66,210,759	(67,015,400) (*)	1,064,956,325
Attribution of profit to reserves	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(500,000,000)	(500,000,000)
Other shareholder transactions	-	-	-	-	-	509,761,331	509,761,331
Recognition of receivable authorised by 2015 Stability Law, implementing court decision[1]	-	-	-	-	-	535,000,000	535,000,000
Taxation	-	-	-	-	-	(25,238,669)	(25,238,669)
Balance at 31 December 2014	**1,306,110,000**	**299,234,320**	**1,000,000,000**	**1,586,642,318**	**48,016,424**	**2,264,920,280**	**6,504,923,342**
of which attributable to BancoPosta RFC	-	-	1,000,000,000	1,573,116,374	48,016,424	1,235,728,568	3,856,861,366

(*) This item includes profit for the year of €56,892 thousand, actuarial losses on provisions for employee termination benefits of €170,907 thousand after the related current and deferred tax income of €46,999 thousand.

47 A breakdown of the item in the statement is shown below:

Amount resulting from cancellation of EC Decision of 16 July 2008 at 31 December 2013	568,406,778
Recognition of interest for 2014 not provided for in art. 1, para. 281 of Law 190/2014	8,970,422
Adjustment of interest for 2014 not provided for in art. 1, para. 281 of Law 190/2014	(8,970,422)
Partial reversal of accrued interest not provided for in art. 1, para. 281 of Law 190/2014	(33,406,778)
Recognition of receivable authorised by 2015 Stability Law, implementing court decision [A8]	535,000,000
of which:	
return of sums paid to the MEF	443,223,020
interest	91,776,980

STATEMENT OF CASH FLOWS

for the year ended 31 December

(€000)

		Note	2014	2013
Cash and cash equivalents at beginning of year			587,652	1,458,275
Profit/(loss) before tax			272,984	963,821
Depreciation, amortisation and impairments		[tab. C7]	578,505	501,135
Impairments/(Reversals of impairments) of investments		[tab. A4.1]	25,065	27,728
Net provisions for risks and charges		[tab. B4]	389,137	146,642
Use of provisions for risks and charges		[tab. B4]	(232,852)	(414,740)
Employee termination benefits paid		[tab. B5]	(76,128)	(70,640)
(Gains)/losses on disposals		[tab. C8]	2,240	514
Impairment of available-for-sale investments		[tab. C9.2]	75,000	-
(Dividends)		[tab. C9.1]	(404)	(98)
Dividends received			404	98
(Finance income in form of interest)		[tab. C9.1]	(67,606)	(135,964)
Interest received			32,754	46,879
Interest expense and other finance costs		[tab. C9.2]	99,428	89,932
Interest paid			(35,421)	(17,516)
Losses and impairments/(Recoveries) on receivables		[tab. C8]	71,131	6,407
Income tax paid		[tab. C10.3]	(416,425)	(499,947)
Other movements			-	(184)
Cash generated by operating activities before movements in working capital	[a]		717,812	644,067
Movements in working capital:				
(Increase)/decrease in Trade receivables			(125,925)	132,548
(Increase)/decrease in Other receivables and assets			(3,509)	372,399
Increase/(decrease) in Trade payables			(91,906)	(103,134)
Increase/(decrease) in Other liabilities			(30,247)	268,962
Cash generated by/(used in) movements in working capital	[b]		(251,587)	670,775
Increase/(decrease) in financial liabilities attributable to BancoPosta			521,146	339,962
Net cash generated by/(used for) financial assets held for trading			1	9,256
Net cash generated by/(used for) available-for-sale financial assets			(833,764)	(871,179)
Net cash generated by/(used for) held-to-maturity financial assets			1,332,197	(939,235)
(Increase)/decrease in other financial assets attributable to BancoPosta			(502,706)	989,636
(Increase)/decrease in cash and deposits attributable to BancoPosta			206,651	100,008
(Income)/Expenses and other non-cash components attributable to financial activities			(867,508)	(874,653)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	[c]		(143,983)	(1,246,205)
Net cash flow from /(for) operating activities	[d]=[a+b+c]		322,242	68,637
- of which related party transactions			*(1,445,376)*	*179,202*
Investing activities:				
Property, plant and equipment		[tab. A1]	(180,575)	(227,627)
Investment property		[tab. A2]	(510)	(326)
Intangible assets		[tab. A3]	(151,636)	(190,820)
Investments			(242,773)	(410,007)
Other financial assets			(104,395)	(445,530)
Disposals:				
Property, plant and equipment, investment property and assets held for sale			2,066	3,500
Other financial assets			237,076	6,229
Net cash flow from /(for) investing activities	[e]		(440,747)	(1,264,581)
- of which related party transactions			*(205,269)*	*(705,672)*
Proceeds from/(Repayments of) long-term borrowings			-	794,577
(Increase)/decrease in loans and receivables			109,442	147,800
Increase/(decrease) in short-term borrowings			906,947	(367,056)
Dividends paid		[B2]	(500,000)	(250,000)
Net cash flow from/(for) financing activities and shareholder transactions	[f]		516,389	325,321
- of which related party transactions			*77,349*	*(296,433)*
Net increase/(decrease) in cash	[g]=[d+e+f]		397,884	(870,623)
Cash and cash equivalents at end of year		[tab. A10]	985,536	587,652

Cash and cash equivalents at end of year	[tab. A10]	985,536	587,652
Cash subject to investment restrictions		(687,719)	(353,974)
Amounts that cannot be drawn on due to court rulings		(11,151)	(13,545)
Unrestricted net cash and cash equivalents at end of year		286,666	220,133

4.2 INFORMATION ON BANCOPOSTA RFC

As required by art. 2, paragraphs 17-*octies et seq.* of Law 10 of 26 February 2011, converting Law Decree 225 of 29 December 2010, in order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements to BancoPosta's operations and for the protection of creditors, at the General Meeting held on 14 April 2011 Poste Italiane SpA's shareholder approved the creation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations (BancoPosta Ring-fenced Capital or BancoPosta RFC), as governed by Presidential Decree 144 of 14 March 2001, and established the assets and contractual rights to be included in the ring-fence as well as By-laws governing its organisation, management and control. BancoPosta RFC was provided originally with an initial reserve of €1 billion through the attribution of Poste Italiane SpA's retained earnings. The resolution of 14 April 2011 became effective on 2 May 2011, the date on which it was filed with the Companies' Register.

The separation of BancoPosta from Poste Italiane SpA is only partly comparable to other ring-fenced capital solutions. Indeed, BancoPosta is not expected to meet the requirements of articles 2447 *bis et seq.* of the Italian Civil Code or for other special purpose entities, in that it has not been established for a single specific business but rather, pursuant to Presidential Decree 144 of 14 March 2001, for several types of financial activities to be regularly carried out for an unlimited period of time. For this reason, the above legislation does not impose the 10% limit on BancoPosta's equity, waiving the provisions of Italian Civil Code unless expressly cited as applicable.

Nature of assets and contractual rights and authorisations

BancoPosta's assets, contractual rights and authorisations pursuant to notarial deed were conferred on BancoPosta RFC exclusively by Poste Italiane SpA without third-party contributions. BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended[48], namely:

- the collection of savings from the public in accordance with art. 11, para. 1 of Legislative Decree 385/1993 of 1 September 1993 - Consolidated Banking Law (*Testo Unico Bancario*, or *TUB*) - and all related and consequent activities;
- the collection of savings through postal securities and deposits;
- payment services, including the issuance, administration and sale of prepaid cards and other payment instruments pursuant to art. 1, para. 2, letter f) numbers 4) and 5), TUB;
- foreign exchange brokerage services;
- promotion and placement to the public of loans issued by approved banks and financial brokers;
- investment and related services pursuant to art. 12, Presidential Decree 144/2001;
- debt collection services;
- professional gold trading, on own behalf or on behalf of third parties, in accordance with the requirements of Law 7 of 17 January 2000.

All of the assets and rights arising out of various contracts, agreements and legal transactions related to the above activities have also been conferred on BancoPosta RFC[49].

[48] As revised on the issuance of Law Decree 179 of 18 October 2012 converted into law with amendments by Law 221 of 17 December 2012.

BancoPosta RFC's operations

BancoPosta RFC's operations consist of the investment of cash held in postal current accounts, in the name of BancoPosta but subject to statutory restrictions, and the management of third parties' collections and remittances. This latter activity includes the collection of postal savings (Postal Savings Books and Interest-bearing Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Sector entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, within two bank working days of the transaction date. In compliance with the 2007 Budget Law, from 2007 the Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in euro area government securities[50]. Conversely, funds deposited by Public Sector entities are placed with the Ministry of the Economy and Finances at a variable rate of interest linked to a basket of government securities and money market indices, *in accordance with a specific agreement with the MEF regarding treasury services signed, renewed for the three-year period 2014-2016 on 11 June 2014*. The above agreement with the MEF for treasury services also includes a provision that a percentage of funds deriving from private deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a variable rate calculated on the basis of the ECB's Main Refinancing Operations (MRO)[51] rate *until 30 November 2014 and, from 1 December 2014, at the Euro OverNight Index Average (EONIA)[52] rate*.

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[49] All assets, contractual rights and authorisations were conferred on BancoPosta as required to engage in following types of operations:

a. Contracts for the collection of savings from the public, both in the form of deposits (e.g., postal current accounts) and the related services (e.g., issuance of postal cheques, payment of bills by payment slip and direct debits) and in other forms;
b. Contracts for the provision of payment services including the issuance, management and sale of payment cards, including prepaid cards (e.g., "postamat", "postepay"), acquiring services and money transfers (e.g., post office money orders);
c. Investment services contracts (e.g., brokerage, distribution and investment advisory services) and related services (e.g., securities custody);
d. Agreements with Cassa Depositi e Prestiti SpA in connection with collection of savings through postal securities and deposits;
e. Agreements with approved banks and brokers for the promotion and lending to the public (e.g. mortgages, personal loans);
f. Agreements with approved banks and brokers for acquiring and payment services;
g. Agreements with approved brokers to promote and place financial instruments, bancassurrance and insurance products (e.g., share, bond and mutual fund subscriptions, life and non-life insurance);
h. Other agreements relating to bancoposta services;
i. Contracts and related legal arrangements with Bancoposta employees belonging to a separate cost centre;
j. Contracts with suppliers to the bancoposta costs centre and related legal arrangements;
k. Shares and investments in companies, consortia, payment/credit card issuers or money transfer service companies;
l. Euro area government securities and securities guaranteed by the Italian government, held pursuant to art. 1, paragraph 1097 of Law 296 of 27 December 2006, as amended, and the related valuation reserves, including hedging derivatives;
m. Accounts payable (e.g., postal current accounts) and receivable in connection with the above points;
n. Intersegment accounts payable and receivable respectively to and from Poste Italiane;
o. Deferred tax assets and liabilities relating to bancoposta;
p. Post office and bank account cash balances associated with bancoposta operations;
q. "Buffer" account at the Treasury, Ministry of the Economy and Finance;
r. Cash deposits at the Treasury, Ministry of the Economy and Finance relating to Public Sector balances held in post offices;
s. Cash and cash equivalent in connection with bancoposta operations;
t. Litigation relating to bancoposta and associated settlements;
u. Provisions in connection with BancoPosta RFC's contractual and legal obligations.

[50] In addition, following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government.

[51] The minimum rate applied by the European Central Bank in its most recent main refinancing operation or the uniform rate should the ECB apply such a rate in these operations.

[52] The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries)

Cost and revenue allocation

Given the fact that Poste Italiane is a single legal entity, the Company's general accounting system maintains its uniform characteristics and capabilities. In this context, the general principles governing administrative and accounting aspects of BancoPosta RFC are as follows:

- identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers;
- allocation to BancoPosta of all relevant revenues and costs. In particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special accounts only, and subsequently settled;
- settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Accountancy, Finance and Control function;
- allocation of income taxes based on BancoPosta's separate income statement after adjusting for deferred taxation;
- reconciliation of BancoPosta's separate books to Poste Italiane's general ledger;
- the activities – or functions – carried out by the various departments within Poste Italiane SpA on behalf of BancoPosta RFC are indicated in *General Operating Guidelines* approved by Poste Italiane SpA's Board of Directors, which, in implementation of *BancoPosta RFC's Regulation*, indicate the services provided and determines the manner in which they are remunerated.

The services provided by Poste Italiane to BancoPosta are subdivided into three macro areas in accordance with their nature:

- Commercial activities, represented by the sale of BancoPosta products and services to all customer segments.
- Support services, represented by CIO (Chief Information Office), real estate, call centre, postal services and financial services in connection with BancoPosta's cash management.
- Staff services, represented by the provision of coordination and management support services across all areas of business.

The *General Operating Guidelines* provide for the management of operating losses; the Guidelines prescribe that any operating losses be deducted from payments made to the relevant Poste Italiane function outside the ring-fence. The general policies and instructions contained in the *General Operating Guidelines* for transfer pricing are detailed in separate Operating Instructions (or *Internal Operating Guidelines*), jointly developed by BancoPosta and other Poste Italiane SpA functions. Operating Instructions have been developed for, among other things, service levels and transfer prices. They became effective on approval of the *General Operating Guidelines* by Poste Italiane SpA's Board of Directors.

The transfer prices are reviewed annually as part of the planning and budget process. For 2014, these prices were determined with reference to:

- market prices for similar services, i.e., the free market comparable price method; or
- cost plus a mark-up, i.e., the cost plus method, when market prices are not available for the particular type of services provided by Poste Italiane SpA. Costs are determined by unbundling total costs similar to the process used for the regulatory accounting records of the Universal Postal Service. The propriety of the method was

reviewed by the auditors retained to conduct the statutory audit of Poste Italiane SpA. The mark-up is determined taking into account the market prices of BancoPosta's principal services.

The transfer prices are determined by the application of fixed rates plus a variable component used to reflect the achievement of qualitative/quantitative and performance objectives.

The following table includes a summary of the Poste Italiane functions outside the ring-fence that engage in the transactions under discussion, reported by different macro-area of activity, with a brief indication of how transfer prices are determined. This method is in the process of being revised for 2015.

	Function	Allocation key
Commercial activities	Sales network	Fixed component: Cost + mark-up + price cap Variable component in accordance with business targets achieved and service level
Support services	Chief Information Office	Fixed component: Cost + mark-up Variable component: determined with reference to the maintenance of operating performance.
	Real Estate	Determined with reference to floor space, property appraisals and maintenance costs
	Finance	Cost + mark-up
	Postal Services	Standard rate times number of items handled
	Contact Centre	Number and type of contacts
Staff services	Accountancy and Control, Centralised Treasury and short/medium/long-term funding	Actual internal costs; external costs plus a mark-up
	Human Resources, Organisation	
	Security & Safety and Fraud Management	
	Legal Affairs	
	External Relations	
	Purchasing management	
	Internal Auditing	

The interest paid on the intersegment accounts between BancoPosta RFC and the Poste Italiane functions outside the ring-fence, used for settlements between the two entities, is the same rate paid by the MEF on the relevant Buffer account, which is based on the rate paid by the European Central Bank on its Main Refinancing Operations *until 30 November 2014 and, from 1 December 2014, at the Euro OverNight Index Average (EONIA) rate*.

The cost of the services rendered by Poste Italiane functions outside the ring-fence, and the revenue earned from the latter by BancoPosta, contribute to BancoPosta's results. The relevant transactions, profit and loss and balance sheet amounts, generated by these relationships are only recorded in BancoPosta RFC's Separate Report. In Poste Italiane SpA's comprehensive accounts intersegment transactions are on the other hand eliminated, and are not presented. The accounting treatment adopted is similar to that provided for by the accounting standards regulating the preparation of the Group's consolidated financial statements.

Obligations

Poste Italiane SpA's liability, pursuant to art. 2, paragraph 17-*nonies* of Law Decree 225 of 29 December 2010 converted into Law 10, to creditors of Bancoposta is limited to the ring-fenced capital, represented by the assets and contractual rights originally allocated or arisen after the separation. Poste Italiane's liability is, however, unlimited with respect to claims arising from actions in tort relating to the management of BancoPosta or for transactions for which no indication was made that the obligation was taken specifically by BancoPosta RFC. The Regulation approved at the Extraordinary General Meeting of Poste Italiane SpA's shareholder on 14 April 2011 provide that BancoPosta RFC's equity shall be sufficient to support the risk inherent in its operations.

Separate Report

BancoPosta RFC's Separate Report is prepared in application of Bank of Italy Circular 262 of 22 December 2005 - *Banks' Financial Statements: Layouts and Preparation*, as amended. The application of these regulations, whilst in compliance with the same accounting standards adopted by Poste Italiane SpA, requires the use of a different basis of presentation for certain components of profit or loss and the statement of financial position compared with the basis of presentation adopted for the statutory financial statements.

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report[53].

tab.4.2 Reconciliation of separate equity

Item in supplementary statement / Item in Separate Report		130 Valuation reserves	160 Reserves	200 Net profit for period
Reserves	2,621,133	1,621,133	1,000,000	-
BancoPosta RFC reserve	1,000,000	-	1,000,000	-
Fair value reserve	1,573,116	1,573,116	-	-
Cash flow hedge reserve	48,017	48,017	-	-
Retained earnings	1,235,729	(2,926)	798,990	439,665
Net profit for period	1,238,655	-	798,990	439,665
Actuarial gains/(losses) on defined benefit plans	(2,926)	(2,926)	-	-
Total	**3,856,862**	**1,618,207**	**1,798,990**	**439,665**

Intersegment relations between BancoPosta RFC and the Poste Italiane functions outside the ring-fence are disclosed exclusively in BancoPosta RFC's Separate Report, where they are shown in detail and in full, together with the income and expenses that generated them.

Further regulatory aspects

Pursuant to art. 2, paragraph 17-*undecies* of Law Decree 225 of 29 December 2010[54], which states that "the assets and contractual rights included in BancoPosta's ring-fenced capital shall be shown separately in the Company's statement of financial position", Poste Italiane SpA's statement of financial position includes a "Supplementary statement showing BancoPosta RFC".

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC, which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. These include regulations covering the organisational structure and governance, the system of internal controls and the requirements regarding capital adequacy and risk containment.

Furthermore, BancoPosta RFC's Regulation states that "In view of the absence of non-controlling interests in BancoPosta RFC, on approval of Poste Italiane SpA's financial statements, the General Meeting shall – at the recommendation of the Board of Directors – vote on the appropriation of the Company's profit for the year, and in particular: the share attributable to BancoPosta RFC, as indicated in the Separate Report, taking account of specific regulatory aspects and, above all, the need to comply with prudential capital adequacy requirements (...)".

53 Actuarial gains and losses on defined benefit plans, which in the Company's financial statements are accounted for in retained earnings, are accounted for in the valuation reserves in the Separate Report (Item 130 of Liabilities).

54 Converted into Law 10 of 26 February 2011.

4.3 NOTES TO THE FINANCIAL STATEMENTS

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

tab. A1 - Movements in property, plant and equipment

	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 1 January 2013								
Cost	73,493	2,594,965	1,839,582	310,083	342,052	1,341,045	60,302	6,561,522
Accumulated depreciation	-	(1,117,130)	(1,362,481)	(263,031)	(138,162)	(1,133,050)	-	(4,013,854)
Accumulated impairments	(14)	(49,259)	(956)	(770)	(469)	(589)	-	(52,057)
Carrying amount	**73,479**	**1,428,576**	**476,145**	**46,282**	**203,421**	**207,406**	**60,302**	**2,495,611**
Movements during the year								
Purchases	507	47,831	48,314	5,073	22,434	76,002	27,466	227,627
Reclassifications	-	8,969	4,440	(37)	6,003	24,338	(43,713)	-
Disposals	(1)	(283)	(336)	(5)	(1,229)	(247)	(581)	(2,682)
Depreciation	-	(101,418)	(105,634)	(11,503)	(31,958)	(83,848)	-	(334,361)
Impairments	-	(6,916)	(12,801)	(40)	-	433	-	(19,324)
Total movements	**506**	**(51,817)**	**(66,017)**	**(6,512)**	**(4,750)**	**16,678**	**(16,828)**	**(128,740)**
Balance at 31 December 2013								
Cost	73,999	2,651,159	1,809,725	315,082	367,956	1,418,569	43,474	6,679,964
Accumulated depreciation	-	(1,218,233)	(1,386,144)	(274,502)	(168,816)	(1,194,329)	-	(4,242,024)
Accumulated impairments	(14)	(56,167)	(13,453)	(810)	(469)	(156)	-	(71,069)
Carrying amount	**73,985**	**1,376,759**	**410,128**	**39,770**	**198,671**	**224,084**	**43,474**	**2,366,871**
Movements during the year								
Purchases	772	33,360	37,306	5,077	21,802	52,008	30,248	180,573
Adjustments (1)	-	-	-	-	-	4	-	4
Reclassifications (2)	-	13,627	14,274	314	5,221	1,592	(37,618)	(2,590)
Disposals (3)	(38)	(82)	(178)	(2)	(1,523)	(183)	(81)	(2,087)
Depreciation	-	(104,009)	(98,178)	(10,754)	(28,941)	(82,173)	-	(324,055)
Impairments	(281)	(38,991)	3,655	-	(11,617)	55	-	(47,179)
Total movements	**453**	**(96,095)**	**(43,121)**	**(5,365)**	**(15,058)**	**(28,697)**	**(7,451)**	**(195,334)**
Balance at 31 December 2014								
Cost	74,733	2,696,888	1,829,143	320,380	391,734	1,457,021	36,023	6,805,922
Accumulated depreciation	-	(1,321,492)	(1,453,146)	(285,204)	(196,059)	(1,261,533)	-	(4,517,434)
Accumulated impairments	(295)	(94,732)	(8,990)	(771)	(12,062)	(101)	-	(116,951)
Carrying amount	**74,438**	**1,280,664**	**367,007**	**34,405**	**183,613**	**195,387**	**36,023**	**2,171,537**
Adjustments (1)								
Cost	-	-	-	-	-	8	-	8
Accumulated depreciation	-	-	-	-	-	(4)	-	(4)
Total	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Reclassifications (2)								
Cost	-	13,377	14,307	360	5,164	1,549	(37,618)	(2,861)
Accumulated depreciation	-	250	(33)	(46)	57	43	-	271
Total	**-**	**13,627**	**14,274**	**314**	**5,221**	**1,592**	**(37,618)**	**(2,590)**
Disposals (3)								
Cost	(38)	(1,008)	(32,195)	(139)	(3,188)	(15,113)	(81)	(51,762)
Accumulated depreciation	-	500	31,209	98	1,641	14,930	-	48,378
Accumulated impairments	-	426	808	39	24	-	-	1,297
Total	**(38)**	**(82)**	**(178)**	**(2)**	**(1,523)**	**(183)**	**(81)**	**(2,087)**

None of the above items is attributable to BancoPosta RFC.

At 31 December 2014, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term, with a carrying amount of €106,726 thousand.

The main movements during 2014 are described below.

Purchases of €180,573 thousand primarily relate to:

- €33,360 thousand relating to extraordinary maintenance of post offices and local head offices around the country (€21,073 thousand), mail sorting offices (€7,729 thousand) and the purchase of a previously rented property in Savona (€3,088 thousand), in addition to land with a value of €772 thousand;
- €37,306 thousand relating to plant, of which €27,545 thousand for plant and equipment related to buildings and €6,162 thousand for the installation and extraordinary maintenance of video surveillance systems;
- €21,802 thousand to upgrade plant (€14,272 thousand) and the structure (€7,530 thousand) of properties held under lease;
- €52,008 thousand relating to "Other assets", including €29,095 thousand for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems; €13,911 for the purchase of new delivery vehicles; and €8,615 thousand for the purchase of furniture and fittings in connection with the new layouts for post offices;
- €30,248 thousand relating to assets under construction, of which €14,730 thousand relates to the restyling of post offices, €5,663 thousand to the restructuring of head offices, €2,731 thousand to the renovation of primary distribution centres, and €6,520 thousand to purchase hardware and other technological equipment that is not yet operational.

Impairments mainly concern owned industrial buildings (property used in operations) and leased commercial buildings (leasehold improvements), and reflect prudent consideration of the effects on the relevant values in use of reduced utilisation or future removal from the production cycle (note 2.3 – *Use of estimates*).

Reclassifications from assets under construction, totalling €37,618 thousand, relate primarily to the acquisition cost of assets that became available and ready for use during the year. In particular, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

A2 - INVESTMENT PROPERTY

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by post office directors. None of the property included in this item is attributable to BancoPosta RFC. Movements in investment property are as follows:

tab. A2 - Movements in investment property

	2014	2013
Balance at 1 January		
Cost	145,269	147,157
Accumulated depreciation	(74,653)	(70,824)
Accumulated impairments	(1,684)	(2,291)
Carrying amount	**68,932**	**74,042**
Movements during the year		
Purchases	510	326
Reclassifications [1]	2,346	-
Disposals [2]	(589)	(1,203)
Depreciation	(4,836)	(4,837)
Reversal of impairments (impairments)	401	604
Total movements	**(2,168)**	**(5,110)**
Balance at 31 December		
Cost	146,964	145,269
Accumulated depreciation	(78,928)	(74,653)
Accumulated impairments	(1,272)	(1,684)
Carrying amount	**66,764**	**68,932**
Fair value at 31 December	*115,893*	*122,001*
Reclassifications[1]		
Cost	2,346	-
Accumulated depreciation	-	-
Accumulated impairments	-	-
Total	**2,346**	**-**
Disposals[2]		
Cost	(1,161)	(2,214)
Accumulated depreciation	561	1,008
Accumulated impairments	11	3
Total	**(589)**	**(1,203)**

The fair value of investment property at 31 December 2014 includes approximately €69,706 thousand representing the sale price applicable to the Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects price estimates computed internally by the Company[55].

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

[55] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation qualifies for level 3, while the other investment property qualifies for level 2.

A3 - INTANGIBLE ASSETS

The following table shows movements in intangible assets:

tab. A3 -Movements in intangible assets

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under construction and prepayments	Other	Total
Balance at 1 January 2013					
Cost	1,522,574	2,026	155,662	68,868	1,749,130
Accumulated amortisation and impairments	(1,298,136)	(2,021)	-	(68,868)	(1,369,025)
Carrying amount	**224,438**	**5**	**155,662**	**-**	**380,105**
Movements during the year					
Purchases	79,900	-	110,920	-	190,820
Reclassifications	112,277	-	(112,277)	-	-
Disposals	-	-	-	-	-
Amortisation and impairments	(143,215)	(3)	-	-	(143,218)
Total movements	**48,962**	**(3)**	**(1,357)**	**-**	**47,602**
Balance at 31 December 2013					
Cost	1,714,751	2,026	154,305	-	1,871,082
Accumulated amortisation and impairments	(1,441,351)	(2,024)	-	-	(1,443,375)
Carrying amount	**273,400**	**2**	**154,305**	**-**	**427,707**
Movements during the year					
Purchases	98,916	-	52,720	-	151,636
Reclassifications(1)	141,919	-	(141,897)	-	22
Disposals(2)	1	-	(1,409)	-	(1,408)
Amortisation and impairments	(202,838)	(2)	-	-	(202,840)
Total movements	**37,998**	**(2)**	**(90,586)**	**-**	**(52,590)**
Balance at 31 December 2014					
Cost	1,952,542	2,026	63,719	-	2,018,287
Accumulated amortisation and impairments	(1,641,144)	(2,026)	-	-	(1,643,170)
Carrying amount	**311,398**	**-**	**63,719**	**-**	**375,117**
Reclassifications(1)					
Cost	141,919	-	(141,897)	-	22
Accumulated amortisation	-	-	-	-	-
Total	**141,919**	**-**	**(141,897)**	**-**	**22**
Disposals(2)					
Cost	(3,044)	-	(1,409)	-	(4,453)
Accumulated amortisation	3,045	-	-	-	3,045
Total	**1**	**-**	**(1,409)**	**-**	**(1,408)**

None of the above items is attributable to BancoPosta RFC.

Investment in "Intangible assets" during 2014 amounts to €151,636 thousand, including €6,218 thousand in internal software development costs and the related expenses. Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

Purchases of industrial patents, intellectual property, rights total €98,916 thousand, before amortisation for the year, and relate primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

Purchases of intangible assets under construction primarily regard the development of software relating to the infrastructure platform and for use in providing support to the sales network.

The balance of intangible assets under construction includes activities primarily regarding the development for software relating to the infrastructure platform (€25,798 thousand), for BancoPosta services (€17,820 thousand), for the postal products platform (€11,351 thousand), for use in providing support to the sales network (€4,307 thousand) and for the re-engineering of reporting processes for other business and staff functions (€4,441 thousand).

During the year the Company effected reclassifications from intangible assets under construction to industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights, amounting to €141,897 thousand, reflecting the completion and commissioning of software and the upgrade of existing software.

A4 - INVESTMENTS

This item includes the following:

tab. A4 - Investments

Item	Balance at 31 December 2014	Balance at 31 December 2013
Investments in subsidiaries	2,029,017	1,811,311
Investments in associates	982	980
Total	**2,029,999**	**1,812,291**

No investments are attributable to BancoPosta RFC.

Movements in investments in subsidiaries and associates are as follows:

Tab. A4.1 - Movements in investments

Movements in investments in the year ended 31 December 2014

Investments	Balance at 1 January 2014	Additions		Reductions	Adjustments		Balance at 31 December 2014
		Subscrip-tions/Capital contributions	Acquisi-tions	Sales, liquidations, mergers	Reval.	(Impair.)	
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	139,978	232,000	-	-	-	-	371,978
BancoPosta Fondi SpA SGR	12,000	-	-	-	-	-	12,000
CLP ScpA	263	-	-	-	-	-	263
Consorzio PosteMotori	-	70	-	-	-	-	70
Cons. Servizi di Telefonia Mobile ScpA	61	-	-	-	-	-	61
EGI SpA	191,410	-	-	-	-	-	191,410
Mistral Air Srl	10,000	9,909	-	-	-	(19,909)	-
PatentiViaPoste ScpA	84	-	-	-	-	-	84
Poste Energia SpA	120	-	-	-	-	-	120
Poste Holding Participações do Brasil Ltda	7	792	-	-	-	(304)	495
Poste Tributi ScpA	1,808	-	-	-	-	-	1,808
PosteTutela SpA	818	-	-	-	-	-	818
Poste Vita SpA	1,218,481	-	-	-	-	-	1,218,481
Postecom SpA	12,789	-	-	-	-	-	12,789
Postel SpA	124,375	-	-	-	-	-	124,375
PosteMobile SpA	71,030	-	-	-	-	-	71,030
PosteShop SpA	4,852	-	-	-	-	(4,852)	-
SDA Express Courier SpA	23,235	-	-	-	-	-	23,235
Total subsidiaries	**1,811,311**	**242,771**	**-**	**-**	**-**	**(25,065)**	**2,029,017**
in associates							
Telma-Sapienza Scarl	980	-	-	-	-	-	980
ItaliaCamp Srl	-	-	2	-	-	-	2
Total associates	**980**	**-**	**2**	**-**	**-**	**-**	**982**
Total	**1,812,291**	**242,771**	**2**	**-**	**-**	**(25,065)**	**2,029,999**

Movements in investments in the year ended 31 December 2013

Investments	Balance at 1 January 2013	Additions: Subscrip-tions/Capital contributions	Additions: Acquisi-tions	Reductions: Sales, liquidations, mergers	Adjustments: Reval.	Adjustments: (Impair.)	Balance at 31 December 2013
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	139,978	-	-	-	-	-	139,978
BancoPosta Fondi SpA SGR	12,000	-	-	-	-	-	12,000
CLP ScpA	263	-	-	-	-	-	263
Cons. Servizi di Telefonia Mobile ScpA	61	-	-	-	-	-	61
EGI SpA	191,410	-	-	-	-	-	191,410
Mistral Air Srl	-	10,000	-	-	-	-	10,000
PatentiViaPoste ScpA	84	-	-	-	-	-	84
Poste Energia SpA	120	-	-	-	-	-	120
Poste Holding Participações do Brasil Ltda	-	7	-	-	-	-	7
Poste Tributi ScpA	1,808	-	-	-	-	-	1,808
PosteTutela SpA	818	-	-	-	-	-	818
Poste Vita SpA	868,481	350,000	-	-	-	-	1,218,481
Postecom SpA	12,789	-	-	-	-	-	12,789
Postel SpA	124,375	-	-	-	-	-	124,375
PosteMobile SpA	71,030	-	-	-	-	-	71,030
PosteShop SpA	5,815	-	-	-	-	(963)	4,852
SDA Express Courier SpA	-	50,000	-	-	-	(26,765)	23,235
Total subsidiaries	**1,429,032**	**410,007**	**-**	**-**	**-**	**(27,728)**	**1,811,311**
in associates							
Telma-Sapienza Scarl	980	-	-	-	-	-	980
Total associates	**980**	**-**	**-**	**-**	**-**	**-**	**980**
Total	**1,430,012**	**410,007**	**-**	**-**	**-**	**(27,728)**	**1,812,291**

The following movements occurred in 2014:

- the subscription for new shares issued by Banca del Mezzogiorno-MedioCredito Centrale SpA, amounting to €232,000 thousand, as approved by the extraordinary general meeting of the investee company's shareholders on 6 February 2014;
- €9,909 thousand in capital injections for Mistral Air Srl to cover losses incurred to 30 June 2014 and establish an extraordinary reserve, as approved by the extraordinary general meeting of the investee company's shareholders on 16 April and 24 September 2014;
- subscription for the new shares, totalling €792 thousand, issued by Poste Holding Participações do Brasil Ltda in accordance with the resolution approved by the investee company's shareholders on 15 April 2014 (the company is 76% owned by Poste Italiane SpA and 24% owned by PosteMobile SpA). The sum has yet to be paid in at 31 December 2014. On 27 November 2014, Poste Italiane SpA's Board of Directors decided to put the Virtual Mobile Network Operator project in Brazil on hold and put the Brazilian subsidiaries into liquidation. The effects of this action are reflected in the impairment loss recognised on the investment (tab. C8);
- €70 thousand regarding the subscription for shares representing 58.12% of the newly established consortium fund, Consorzio PosteMotori ScpA, whose business purpose is the provision of management and remittance services for payments, by road users, for the services provided by the Ministry of Infrastructure and Transport's "Department of Transport, Navigation and Information and Statistical Systems". The consortium, which was established on 11 February 2014, is also 22.63% owned by the subsidiary, Postecom SpA;
- the acquisition, on 29 May 2014, of a 20% stake in ItaliaCamp Srl for a total of €2 thousand. This company promotes public and private projects in the social, scientific, economic, commercial and manufacturing spheres by bringing together the world of business and academia, on occasion resulting in the establishment of new companies, associations and foundations.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. The tests carried out at 31 December 2014 were based on projections contained in the five-year business plans for the relevant cash generating units (companies or their subsidiaries) for the period 2015-2019 or the latest available projections. Data from the last year of the plan have been used to project cash flows for subsequent years over an indefinite time, and the resulting value was then discounted using the Discounted Cash Flow (DCF) method. For the determination of value in use, NOPLAT (Net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted average cost of capital). An assumed growth rate of 1% was used in the tests carried out at 31 December 2014. Based on the available projections and the results of the impairment tests carried out, the investments in Mistral Air Srl and PosteShop SpA have been written off (tab. C8). Poste Italiane SpA has committed to providing financial support to the subsidiaries, Mistral Air Srl, SDA Express Courier SpA (including as a result of the operating results of the subsidiary, Italia Logistica) and PosteShop SpA. In the latter case, a provision of €7,700 thousand has been recognised in "Other provisions for risks and charges" to take account of restructuring costs incurred.

The following table shows a list of investments in subsidiaries and associates at 31 December 2014:

tab. A4.2 - List of investments in subsidiaries and associates

Name	% interest	Share capital(1)	Profit/(loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31 December 2014	Difference between equity and carrying amount
in subsidiaries							
Banca del Mezzogiorno - MedioCredito Centrale SpA	100.00	364,509	37,562	426,747	426,747	371,978	54,769
BancoPosta Fondi SpA SGR	100.00	12,000	14,092	60,274	60,274	12,000	48,274
CLP ScpA	51.00	516	-	516	263	263	-
Consorzio PosteMotori	58.12	120	-	120	70	70	-
Consorzio per i Servizi di Telefonia Mobile ScpA(2)	51.00	120	-	120	61	61	-
EGI SpA	55.00	103,200	45	362,857	199,571	191,410	8,161
Mistral Air Srl	100.00	1,000	(2,495)	3,998	3,998	-	3,998
PatentiViaPoste ScpA(2)	69.65	120	-	121	84	84	-
Poste Energia SpA	100.00	120	1,458	2,780	2,780	120	2,660
Poste Holding Participações do Brasil Ltda(3)	76.00	1,051	(18)	9	7	495	(488)
Poste Tributi ScpA(2)	70.00	2,583	-	2,517	1,762	1,808	(46)
PosteTutela SpA	100.00	153	902	12,401	12,401	818	11,583
Poste Vita SpA(2)	100.00	1,216,608	350,157	3,052,208	3,052,208	1,218,481	1,833,727
Postecom SpA	100.00	6,450	(1,035)	50,815	50,815	12,789	38,026
Postel SpA	100.00	20,400	146	134,716	134,716	124,375	10,341
PosteMobile SpA	100.00	32,561	7,760	72,660	72,660	71,030	1,630
PosteShop SpA	100.00	2,582	(12,544)	(7,752)	(7,752)	-	(7,752)
SDA Express Courier SpA	100.00	30,000	(21,273)	784	784	23,235	(22,451)
in associates							
Telma-Sapienza Scarl(4)	29.74	1,647	8	1,651	491	980	(489)
ItaliaCamp Srl(4)	20.00	10	11	18	4	2	2

(1) Consortium fund in the case of consortia. The registered offices of subsidiaries and associates are all located in Rome, with the exception of Poste Holding Participações do Brasil Ltda, which is registered in Brazil.

(2) These figures have been calculated under IFRS, and may not be consistent with those included in the investee company's financial statements prepared in accordance with the Civil Code and Italian GAAP.

(3) Figures taken from the company's latest approved financial statements at 30 June 2014.

(4) Figures taken from the company's latest approved financial statements at 31 December 2013.

A5 - FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA

Financial assets attributable to BancoPosta break down as follows at 31 December 2014.

tab. A5 - Financial assets attributable to BancoPosta

		Balance at 31 December 2014			Balance at 31 December 2013		
Item	**Note**	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**
Receivables		-	7,330,885	7,330,885	-	6,828,178	6,828,178
Held-to-maturity financial assets		12,697,969	1,401,716	14,099,685	13,787,533	1,433,629	15,221,162
Fixed income instruments	[tab. A5.2]	12,697,969	1,401,716	14,099,685	13,787,533	1,433,629	15,221,162
Available-for-sale financial assets		26,355,148	2,452,255	28,807,403	23,370,344	1,050,771	24,421,115
Fixed income instruments	[tab. A5.2]	26,298,718	2,452,255	28,750,973	23,322,932	1,050,771	24,373,703
Equity instruments		56,430	-	56,430	47,412	-	47,412
Derivative financial instruments		44,486	4,115	48,601	32,560	(473)	32,087
Cash flow hedges		44,486	4,115	48,601	30,451	1,240	31,691
Fair value hedges		-	-	-	2,109	(1,713)	396
Total		**39,097,603**	**11,188,971**	**50,286,574**	**37,190,437**	**9,312,105**	**46,502,542**

The operations in question regard the financial services provided by the Company pursuant to Presidential Decree 144/2001, which from 2 May 2011 are attributable to the ring-fenced capital, and which relate to the management of postal current accounts deposits, carried out in the name of BancoPosta but subject to statutory restrictions on the investment of the liquidity in compliance with the applicable legislation, and the management of collections and payments on behalf of third parties (note4.2).

Receivables

tab. A5.1 - Financial receivables attributable to BancoPosta

Item	Balance at 31 December 2014 Non-current assets	Current assets	Total	Balance at 31 December 2013 Non-current assets	Current assets	Total
Amounts deposited with the MEF	-	5,467,139	5,467,139	-	5,078,026	5,078,026
MEF on behalf of the Italian Treasury	-	662,963	662,963	-	1,008,096	1,008,096
Other financial receivables	-	1,200,783	1,200,783	-	742,056	742,056
Total	**-**	**7,330,885**	**7,330,885**	**-**	**6,828,178**	**6,828,178**

This item includes:

- Amounts deposited with the MEF, totalling €5,467,139 thousand, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds and money market indices.
- MEF on behalf of the Italian Treasury, amounting to €662,963 thousand, consisting of:

tab. A5.1.1 - MEF on behalf of the Italian Treasury

Item	Balance at 31 December 2014 Non-current assets	Current assets	Total	Balance at 31 December 2013 Non-current assets	Current assets	Total
Balance of cash flows for advances	-	905,298	905,298	-	1,192,870	1,192,870
Balance of cash flows from management of postal savings	-	(49,361)	(49,361)	-	7,416	7,416
Amounts payable due to theft	-	(159,113)	(159,113)	-	(158,329)	(158,329)
Amounts payable for operational risks	-	(33,861)	(33,861)	-	(33,861)	(33,861)
Total	**-**	**662,963**	**662,963**	**-**	**1,008,096**	**1,008,096**

The *balance of cash flows for advances*, amounting to €905,298 thousand, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. A5.1.1 a) - Balance of cash flows for advances

Item	Balance at 31 December 2014 Non-current assets	Current assets	Total	Balance at 31 December 2013 Non-current assets	Current assets	Total
Net advances	-	917,898	917,898	-	1,199,227	1,199,227
MEF postal current accounts and other payables	-	(672,214)	(672,214)	-	(672,869)	(672,869)
Ministry of Justice - Orders for payment	-	(12,319)	(12,319)	-	(2,187)	(2,187)
MEF - State pensions	-	671,933	671,933	-	668,699	668,699
Total	**-**	**905,298**	**905,298**	**-**	**1,192,870**	**1,192,870**

The *balance of cash flows from the management of postal savings*, amounting to a negative €49,361 thousand, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2014 consists of €107,579 thousand payable to Cassa Depositi e Prestiti, less €58,218 thousand receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from post offices regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud, totalling €159,113 thousand. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate. Movements in this liability during the year are as follows:

tab. A5.1.1 b) - Movements in amounts payable due to theft

	Note	2014	2013
Balance at 1 January		**158,329**	**159,708**
Amounts payable for thefts during the year	[tab. C8]	5,856	6,265
Repayments made		(5,072)	(7,644)
Balance at 31 December		**159,113**	**158,329**

During 2014, Poste Italiane SpA made repayments to the Italian Treasury for thefts that took place up to 31 December 2013 and in the first half of 2014, totalling €2,790 thousand and €2,282 thousand, respectively.

Amounts payable for operational risks (€33,861 thousand) regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset underrecovery is certain or probable. Movements in these payables are as follows:

tab. A5.1.1 c) - Movements in amounts payable to the Italian Treasury for operational risks

	2014		2013	
Balance at 1 January		**33,861**		**35,314**
New payables for operational risks	2,502		3,111	
Operational risks that did not occur	(709)		(3,485)	
		1,793		(374)
Repayments made		(1,816)		(2,729)
Reclassifications from provisions for disputes		23		1,650
Balance at 31 December		**33,861**		**33,861**

- Other financial receivables of €1,200,783 thousand break down as follows:

tab. A5.1.2 - Other financial receivables

Item	Balance at 31 December 2014	Balance at 31 December 2013
Guarantee deposits	891,647	344,365
Other amounts to be charged to customers	176,246	270,491
Cheques drawn on third parties to be debited to customer accounts	71,169	73,180
BancoPosta ATM withdrawals to be debited to customer accounts or awaiting settlement	28,888	23,727
Items awaiting settlement with the banking system	19,262	20,725
Other receivables	13,571	9,568
Total	**1,200,783**	**742,056**

Guarantee deposits, totalling €891,647 thousand, relate to sums provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes).

Other amounts to be charged to customers, amounting to €176,246 thousand, primarily regard the use of debit cards issued by BancoPosta, totalling €45,399 thousand, cheques and other collection items settled in the clearing house of €90,566 thousand, amounts due from commercial partners, totalling €19,109 thousand, for providing PostePay top-up, and payments slips, totalling €15,073 thousand, to be credited to beneficiaries.

Investments in securities

Investments in securities relate to investments in fixed-income euro area government securities with a nominal value of €37,748,750 thousand, consisting of Italian government securities. Movements in investment securities are as follows:

tab. A5.2 - Movements in investment securities

Securities	HTM		AFS		FVPL		TOTAL	
	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 31 December 2012	13,902,650	14,048,068	21,475,850	22,426,616	-	-	35,378,500	36,474,684
Purchases	3,680,000	3,863,296	6,490,000	6,675,519	1,440,000	1,455,467	11,610,000	11,994,282
Redemptions	(2,019,100)	(2,019,100)	(400,000)	(400,000)	-	-	(2,419,100)	(2,419,100)
Transfers to equity	-	-	-	(211,460)	-	-	-	(211,460)
Change in amortised cost	-	3,903	-	23,301	-	-	-	27,204
Changes in fair value through equity	-	-	-	876,402	-	-	-	876,402
Changes in fair value through profit or loss	-	-	-	(236,691)	-	-	-	(236,691)
Changes in cash flow hedge transactions *	-	1,439	-	42,457	-	-	-	43,896
Effect of sales on profit or loss	-	1,004	-	307,464	-	9,256	-	317,724
Accrued income for current year	-	227,513	-	274,435	-	-	-	501,948
Sales and settlement of accrued income	(650,000)	(904,961)	(4,758,750)	(5,404,340)	(1,440,000)	(1,464,723)	(6,848,750)	(7,774,024)
Balance at 31 December 2013	14,913,550	15,221,162	22,807,100	24,373,703	-	-	37,720,650	39,594,865
Purchases	100,000	102,651	4,760,000	5,201,200	534,000	543,249	5,394,000	5,847,100
Redemptions	(1,206,000)	(1,206,000)	(369,000)	(369,000)	(400,000)	(400,000)	(1,975,000)	(1,975,000)
Transfers to equity	-	-	-	(227,418)	-	-	-	(227,418)
Change in amortised cost	-	3,209	-	(5,892)	-	-	-	(2,683)
Changes in fair value through equity	-	-	-	1,759,101	-	-	-	1,759,101
Changes in fair value through profit or loss	-	-	-	1,327,676	-	-	-	1,327,676
Changes in cash flow hedge transactions *	-	-	-	12,501	-	-	-	12,501
Effect of sales on profit or loss	-	-	-	391,951	-	1	-	391,952
Accrued income for current year	-	207,512	-	285,587	-	-	-	493,099
Sales and settlement of accrued income	-	(228,849)	(3,256,900)	(3,998,436)	(134,000)	(143,250)	(3,390,900)	(4,370,535)
Balance at 31 December 2014	13,807,550	14,099,685	23,941,200	28,750,973	-	-	37,748,750	42,850,658

* Changes in cash flow hedge transactions, referring to forward purchases in connection with cash flow hedges, reflect changes in the fair value of securities between the purchase date and the settlement date through other comprehensive income (the "Cash flow hedge reserve").

At 31 December 2014, the fair value[56] of the held-to-maturity portfolio, accounted for at amortised cost, is €16,263,412 thousand (including €207,512 thousand in accrued interest).

Securities with a nominal value of €6,440,861 thousand are encumbered as follows:

- €5,373,962 thousand used as collateral for repurchase agreements;
- €596,899 thousand used as collateral for asset swaps.
- €470,000 thousand used delivered to the Bank of Italy as collateral for intraday credit extended to Poste Italiane SpA.

The fair value of the available-for-sale portfolio is €28,750,973 thousand (including €285,587 thousand in accrued interest). Part of the the overall fair value gain for the year of €3,086,777 thousand has been recognised in the relevant equity reserve (€1,759,101 thousand) in relation to the portion of the portfolio not hedged by fair value hedges. The remainder of the gain (€1,327,676 thousand) relating to the hedged portion is recognised through profit or loss.

Investments in equity instruments

Equity instruments include:

- €53,958 thousand relating to the fair value of 756,280[57] class B shares in MasterCard Incorporated. These equity instruments are not quoted on a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired;
- €2,355 thousand relating to the fair value of 11,144 class C shares in Visa Incorporated. These equity instruments are not quoted on a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired;

[56] In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

[57] On 21 January 2014, Mastercard Incorporated carried out a stock split, allocating each shareholder 10 new shares for every existing share held, without any dilutive effects or changes to the relevant value.

- €117 thousand regarding the historical cost of the 8.637% interest in Eurogiro Holding A/S, the value of which is unchanged with respect to the previous year.

Fair value gains during the year amount to €9,018 thousand and have been recognised in the relevant equity reserve (section B3).

Derivative financial instruments

Movements in derivative financial instruments are as follows:

tab. A5.3 - Movements in derivative financial instruments

	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2013	**800,000**	**12,157**	**2,583,750**	**(211,999)**	**3,700,000**	**(604,117)**	**-**	**-**	**-**	**-**	**7,083,750**	**(803,959)**
Increases/(decreases) *	450,000	31,739	-	156,477	200,000	221,735	602,224	25,067	1,040,000	(2,738)	2,292,224	432,280
Gains/(Losses) through profit or loss **	-	-	-	846	-	172	-	-	-	-	-	1,018
Transactions settled ***	(1,250,000)	(43,896)	(358,750)	(16,933)	-	14,933	(602,224)	(25,067)	(1,040,000)	2,738	(3,250,974)	(68,225)
Balance at 31 December 2013	**-**	**-**	**2,225,000**	**(71,609)**	**3,900,000**	**(367,277)**	**-**	**-**	**-**	**-**	**6,125,000**	**(438,886)**
Increases/(decreases) *	225,000	12,501	-	131,369	3,575,000	(1,337,957)	400,000	3	-	-	4,200,000	(1,194,084)
Gains/(Losses) through profit or loss **	-	-	-	202	-	(1,230)	-	-	-	-	-	(1,028)
Transactions settled ***	(225,000)	(12,501)	(525,000)	(59,350)	(180,000)	34,241	(400,000)	(3)	-	-	(1,330,000)	(37,613)
Balance at 31 December 2014	**-**	**-**	**1,700,000**	**612**	**7,295,000**	**(1,672,223)**	**-**	**-**	**-**	**-**	**8,995,000**	**(1,671,611)**
of which												
Derivative assets	-	-	625,000	48,601	-	-	-	-	-	-	625,000	48,601
Derivative liabilities	-	-	1,075,000	(47,989)	7,295,000	(1,672,223)	-	-	-	-	8,370,000	(1,720,212)

* Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the year.

** Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.

*** Transactions settled include forward transactions settled, accrued differentials and the settlement of asset swaps linked to securities sold.

During the year under review, the effective portion of interest rate hedging instruments recorded an overall fair value gain of €143,870 thousand reflected in the cash flow hedge reserve. Moreover, during 2014 the Company settled asset swaps used as cash flow hedges for securities sold, with a nominal amount of €525,000 thousand.

The fair value hedges in place, which are held to limit the price volatility of certain available-for-sale fixed rate instruments, saw their effective portion record a decrease in fair value of €1,337,957 thousand, whilst the hedged securities (tab. A5.2) recorded a fair value gain of €1,327,676 thousand, with the difference of €10,281 thousand due to paid or accruing differentials.

In the year under review, the Company carried out the following transactions:

- entered into new asset swaps used as fair value hedges with a nominal value of €3,575,000 thousand;
- settled asset swaps used as fair value hedges for securities sold, with a nominal value of €180,000 thousand.

A6 - FINANCIAL ASSETS

At 31 December 2014, financial assets outside the ring-fence are as follows:

tab. A6 - Financial assets

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	535,094	636,836	1,171,930	555,764	694,442	1,250,206
Loans	525,000	466,542	991,542	540,000	443,019	983,019
Receivables	10,094	170,294	180,388	15,764	251,423	267,187
Available-for-sale financial assets	567,920	11,419	579,339	594,030	166,367	760,397
Equity instruments	4,500	-	4,500	79,500	-	79,500
Fixed-income instruments	563,420	5,807	569,227	514,530	161,365	675,895
Other investments	-	5,612	5,612	-	5,002	5,002
Total	**1,103,014**	**648,255**	**1,751,269**	**1,149,794**	**860,809**	**2,010,603**

Loans and receivables

Loans

Non-current portion

This item consists of three subordinated loans of €450,000 thousand issued to Poste Vita SpA, €400,000 thousand of which are irredeemable, in order to bring the subsidiary's capitalisation into line with expected growth in earned premiums, in compliance with the specific regulations governing the insurance sector.

On 23 December 2014, Poste Italiane SpA subscribed €75 million in Contingent Convertible Notes[58] in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI SpA[59]. The Notes were issued by Midco SpA, which in turn owns 51% of Alitalia SAI. The Contingent Convertible Notes, with a twenty-year term to maturity starting 1 January 2015, carry a nominal rate of interest of 7% per annum. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. At the date of preparation of this Annual Report for 2014, based on the Alitalia Group's business plan, a reasonable estimate of the effective interest rate payable on the Notes amounts to approximately 4.6%.

Current portion

This item (€466,542 thousand) regards short-term loans repayable by the end of 2015 and overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans break down as follows:

58 This is a loan convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument pursuant to art. 2346 of the Italian Civil Code, carrying the same rights associated with the loan.

59 This is the so-called "Nuova Alitalia", the company to which all the aviation assets and activities of Alitalia Compagnia Aerea Italiana SpA, now CAI SpA, have been transferred. The company owns 100% of Midco SpA.

tab. A6.1 - Current portion of loans

Name	Balance at 31 December 2014 Loans	Inter-company accounts	Total	Balance at 31 December 2013 Loans	Inter-company accounts	Total
Direct subsidiaries						
Banca del Mezzogiorno-MedioCredito Centrale SpA	200,057	-	200,057	250,074	-	250,074
Mistral Air Srl	-	13,880	13,880	3,007	9,812	12,819
PatentiViaPoste ScpA	-	418	418	-	99	99
Poste Energia SpA	-	1,492	1,492	-	1,032	1,032
Poste Tributi ScpA	-	4,038	4,038	-	5,483	5,483
Poste Vita SpA	90,043	-	90,043	-	-	-
Postel SpA	-	44,743	44,743	1,203	59,852	61,055
PosteShop SpA	-	7,382	7,382	-	4,688	4,688
SDA Express Courier SpA	-	100,528	100,528	-	103,589	103,589
	290,100	172,481	462,581	254,284	184,555	438,839
Accrued interest on non-current loans	3,961	-	3,961	4,180	-	4,180
Total	**294,061**	**172,481**	**466,542**	**258,464**	**184,555**	**443,019**

Receivables

Receivables break down as follows:

tab. A6.2 - Receivables

Item	Balance at 31 December 2014 Non-current assets	Current assets	Total	Balance at 31 December 2013 Non-current assets	Current assets	Total
Due from the MEF	945	115,844	116,789	3,059	221,828	224,887
repayment of loans accounted for in liabilities	945	115,844	116,789	3,059	218,198	221,257
repayment of interest on loan Law 887/84	-	-	-	-	3,630	3,630
Guarantee deposits	-	54,450	54,450	-	29,595	29,595
Due from the purchasers of service	9,149	-	9,149	12,705	-	12,705
Due from others	-	310	310	-	391	391
Provisions for doubtful debts	-	(310)	(310)	-	(391)	(391)
Total	**10,094**	**170,294**	**180,388**	**15,764**	**251,423**	**267,187**

The amount due from the MEF, totalling €116,789 thousand, refers to the repayment of loans provided in the past by Cassa Depositi e Prestiti to the former Postal and Telecommunications Administration for investments made by the latter between 1975 and 1993. On conversion of the former Public Entity into a joint-stock company, the accounts payable to Cassa Depositi e Prestiti (the provider of the loans) and the accounts receivable from the MEF, to which the relevant laws assigned the burden of repayment of the principal, were posted in the accounts. This receivable (with a fair value[60] of €116,957 thousand at 31 December 2014) is represented by the amortised cost[61] of the receivable with a nominal value of €116,976 thousand, which is expected to be collected by 2016. During 2014, the Company collected receivables with a nominal value of €109,442 thousand and recognised interest income for the year, as calculated on the present value of the receivables, of €4,974 thousand. The difference of €113,954 thousand between the nominal value of the receivable and the nominal value of the payable of €3,382 thousand (tab. B7.1), corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2014 and not yet repaid by the MEF.

Guarantee deposits of €54,450 thousand relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

60 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

61 The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

Available-for-sale financial assets

Movements in available-for-sale financial assets are as follows:

tab. A6.3 - Movements in available-for-sale financial assets

	Equity instruments	Fixed-income instruments		Other investments		Total
	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2013	**4,500**	**500,000**	**502,837**	**5,000**	**4,245**	**511,582**
Purchases	75,000	150,000	156,343	-	-	231,343
Redemptions	-	-	-	-	-	-
Transfers to equity reserves	-	-	-	-	-	-
Changes in amortised cost	-	-	(3,562)	-	-	(3,562)
Changes in fair value through equity	-	-	32,748	-	757	33,505
Changes in fair value through profit or loss	-	-	(15,104)	-	-	(15,104)
Effects of sales on profit or loss	-	-	-	-	-	-
Accrued income for current year	-	-	8,440	-	-	8,440
Sales and settlement of accrued income	-	-	(5,807)	-	-	(5,807)
Balance at 31 December 2013	**79,500**	**650,000**	**675,895**	**5,000**	**5,002**	**760,397**
Purchases	-	-	-	-	-	-
Redemptions	-	(150,000)	(150,000)	-	-	(150,000)
Transfers to equity reserves	-	-	-	-	-	-
Changes in amortised cost	-	-	(2,121)	-	-	(2,121)
Changes in fair value through equity	-	-	21,962	-	610	22,572
Changes in fair value through profit or loss	-	-	26,124	-	-	26,124
Effects of sales on profit or loss	-	-	-	-	-	-
Impairment	(75,000)	-	-	-	-	(75,000)
Accrued income for current year	-	-	5,807	-	-	5,807
Sales and settlement of accrued income	-	-	(8,440)	-	-	(8,440)
Balance at 31 December 2014	**4,500**	**500,000**	**569,227**	**5,000**	**5,612**	**579,339**

Equity instruments

These refer to the historical cost of the 15% interest in Innovazione e Progetti ScpA, which is in liquidation. The carrying amount of €4,500 thousand is unchanged with respect to the previous year.

Poste Italiane's 19.48%[62] equity interest in CAI SpA (formerly Alitalia-CAI SpA), acquired on 23 December 2013 for €75,000 thousand, was written off during the year under review. The impairment takes into account a deterioration in the operating performance, reflecting the impact of external events and circumstances beyond the airline's control, which have prevented it from achieving the targets set out in its business plan.

Fixed-income instruments

This item regards BTPs with a total nominal value of €500,000 thousand (a fair value of €569,227 thousand). Of these, instruments with a value of €375,000 thousand have been hedged using asset swaps designated as fair value hedges. All these instruments are encumbered, as they have been delivered to counterparties in repurchase agreements (tab. B7.2).

Other investments

This item relates to units of equity mutual investment funds with a fair value of €5,612 thousand.

[62] On 4 February 2015 - following a further capital increase approved by CAI SpA's shareholders, not subscribed by Poste Italiane SpA – the equity interest fell to 2.99%.

Derivative financial instruments

Movements in derivative financial instruments are as follows:

tab. A 6.4 - Movements in derivative financial instruments

	2014				2013			
	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January	**-**	**(25,176)**	**(337)**	**(25,513)**	**-**	**(40,074)**	**-**	**(40,074)**
Increases/(decreases)	-	(34,472)	(6,577)	(41,049)	-	6,885	(337)	6,548
Gains/(Losses) through profit or loss	-	15	-	15	-	25	-	25
Transactions settled	-	8,266	267	8,533	-	7,988	-	7,988
Balance at 31 December	**-**	**(51,367)**	**(6,647)**	**(58,014)**	**-**	**(25,176)**	**(337)**	**(25,513)**
of which:								
Derivative assets	-	-	-	-	-	-	-	-
Derivative liabilities	-	(51,367)	(6,647)	(58,014)	-	(25,176)	(337)	(25,513)

At 31 December 2014, outstanding derivative financial instruments report fair value[63] losses of €58,014 thousand and include:

- nine asset swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates. These instruments have enabled the Company to sell the fixed rate on the BTPs of 3.75% and purchase a variable rate;
- a swap contract entered into in 2013 to hedge the cash flows of a €50 million bond issued on 25 October 2013 (section B7). The cash flow hedge of this derivative will set in starting in the third year, when the bond will begin to pay a variable interest rate. With this transaction, the Company took on the obligation to pay a fixed rate of 4.035%.

A7 - TRADE RECEIVABLES

Trade receivables break down as follows:

tab. A7 - Trade receivables

	Balance at 31 December 2014			Balance at 31 December 2013		
Item	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**
Customers	50,265	2,029,722	2,079,987	95,451	2,018,000	2,113,451
Subsidiaries	-	259,010	259,010	-	256,359	256,359
Associates	-	-	-	-	4,119	4,119
MEF	-	1,148,857	1,148,857	-	1,054,307	1,054,307
Total	50,265	3,437,589	3,487,854	95,451	3,332,785	3,428,236
of which attributable to BancoPosta RFC	-	1,389,451	1,389,451	-	1,392,484	1,392,484

63 The fair value of these derivative instruments is based on the present value of expected cash flows deriving from the differentials to be exchanged.

Receivables due from customers

tab. A7.1 - Receivables due from customers

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	901,118	901,118	-	893,418	893,418
Ministries and Public Sector entities	47,151	702,987	750,138	92,337	653,276	745,613
Overseas counterparties	-	193,982	193,982	-	198,344	198,344
Unfranked mail delivered	21,114	147,037	168,151	21,114	169,689	190,803
Overdrawn current accounts	-	133,855	133,855	-	140,431	140,431
Amounts due for other BancoPosta services	-	79,413	79,413	-	78,197	78,197
Other trade receivables	-	249,538	249,538	-	250,719	250,719
Provisions for doubtful debts	(18,000)	(378,208)	(396,208)	(18,000)	(366,074)	(384,074)
Total	**50,265**	**2,029,722**	**2,079,987**	**95,451**	**2,018,000**	**2,113,451**
of which attributable to BancoPosta RFC	-	1,172,085	1,172,085	-	1,114,288	1,114,288

Specifically:

- Amounts due from Cassa Depositi e Prestiti refer to fees and commissions for BancoPosta's deposit-taking activities during the year.
- Amounts due from Ministries and Public Sector entities refer mainly to the following services:
  - Integrated Notification and mailroom services, amounting to €239,436 thousand, rendered to local government authorities (€98,120 thousand), Ministries and related local offices (€69,115 thousand) and Agencies and other central public entities (€72,201 thousand);
  - Pension and other employment related services on behalf of INPS (the National Institute of Social Security), totalling €142,111 thousand;
  - *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office – Publishing department), totalling €99,515 thousand, corresponding to a nominal value of €103,166 thousand and relating to publisher tariff subsidies for the financial years from 2001 to 2010. The receivable is accounted for at its present value to take account of the time it is expected to take to collect the amount due in accordance with the regulations in force. For this reason the sum of €47,151 thousand (corresponding to a nominal value of €50,802 thousand) is classified in "Non-current assets";
  - Unfranked mail services provided on credit, totalling €78,387 thousand, provided to Ministries and local offices (€48,090 thousand), Agencies and other central government entities (€29,692 thousand), as well as local government authorities (€605 thousand);
  - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the *Ministero dello Sviluppo Economico* (Ministry for Economic Development), totalling €67,287 thousand, of which €3,205 thousand relates to the amount accrued during the year;
  - Provision of service to pay legal system expenses, carried out on behalf of *Ministero della Giustizia* (Ministry of Justice) and due to BancoPosta RFC, totalling €19,137 thousand.
- Receivables from overseas counterparties include €193,639 thousand for postal services carried out by the Company for overseas postal operators, and €343 thousand relating to international telegraphic services.
- Receivables arising from Unfranked mail delivered include €70,254 thousand in amounts due from customers who use the service on their own behalf and €76,783 thousand for amounts due from agents who provide the service for third parties, primarily regarding bulk mail. Collection of these receivables is delegated to the authorised agents who provide the service.

- Receivables for overdrawn current accounts are amounts due to BancoPosta for temporarily overdrawn current accounts largely due to recurring BancoPosta bank charges, including accumulated sums that BancoPosta is in the process of recovering, which have largely been written down.
- Amounts due for other Bancoposta services refer to amounts due on insurance and banking services, personal loans, overdrafts and mortgages sold on behalf of third parties, totalling €54,711 thousand.
- Other trade receivables include: €31,906 thousand related to *Posta Target* services; €24,379 thousand for Advice and Billing Mail services; €26,007 thousand for telegraphic services; €21,744 thousand for *Posta Time* services; €16,988 thousand related to Notification of Legal Process service; and €16,522 thousand generated by parcel post operations.

Movements in provisions for doubtful debts are as follows:

tab. A7.2 - Movements in provisions for doubtful debts

	Balance at 1 January 2013	Net provisions	Deferred revenues	Uses	Balance at 31 December 2013	Net provisions	Deferred revenues	Uses	Balance at 31 December 2014
Overseas postal operators	3,556	4,540	-	-	8,096	(2,891)	-	-	5,205
Public Sector entities	155,609	(1,191)	3,212	(20,556)	137,074	(9,364)	3,205	-	130,915
Private customers	203,258	18,849	-	(771)	221,336	22,206	-	(451)	243,091
	362,423	22,198	3,212	(21,327)	366,506	9,951	3,205	(451)	379,211
Interest on late payments	15,916	7,175	-	(5,523)	17,568	7,686	-	(8,257)	16,997
Total	**378,339**	**29,373**	**3,212**	**(26,850)**	**384,074**	**17,637**	**3,205**	**(8,708)**	**396,208**
of which attributable to BancoPosta RFC	133,062	8,704	-	(21,143)	120,623	6,984	-	(232)	127,375

Provisions for doubtful debts relating to Public Sector entities regard amounts that may be partially unrecoverable as a result of legislation restricting government spending, delays in payment and problems at debtor entities. During 2014, part of these provisions was released to income following collection of originally doubtful receivables.

Provisions for doubtful debts relating to private customers include the amount set aside attributable to BancoPosta's operations, mainly to cover numerous individually immaterial amounts due from overdrawn current account holders.

Receivables due from direct and indirect subsidiaries

tab. A7.3 - Trade receivables due from subsidiaries

Name	Balance at 31 December 2014	Balance at 31 December 2013
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	2,798	1,712
BancoPosta Fondi SpA SGR	10,060	4,451
CLP ScpA	13,536	18,559
Consorzio PosteMotori	15,619	-
Consorzio per i Servizi di Telefonia Mobile ScpA	273	1,753
EGI SpA	1,286	1,057
Mistral Air Srl	2,163	1,510
PatentiViaPoste ScpA	3,791	1,060
Poste Energia SpA	205	204
Poste Tributi ScpA	6,111	4,060
Poste Tutela SpA	230	236
Poste Vita SpA	81,801	88,024
Postecom SpA	8,615	4,498
Postel SpA	77,558	78,529
PosteMobile SpA	17,828	38,398
PosteShop SpA	945	1,223
SDA Express Courier SpA	5,221	3,672
Indirect subsidiaries		
Address Software Srl	2	4
Docutel SpA	-	-
Italia Logistica Srl	4,019	2,823
Kipoint SpA	2	12
Poste Assicura SpA	6,619	4,054
PostelPrint SpA	233	440
Uptime SpA [1]	95	80
Total	**259,010**	**256,359**
of which attributable to BancoPosta RFC	115,903	99,066

[1] Joint venture.

These trade receivables include:

- Poste Vita SpA: largely regarding fees deriving from the sale of insurance policies through post offices and attributable to BancoPosta RFC (€80,330 thousand);
- Postel SpA: mainly relating to receivables deriving from the delivery of Bulk Mail by Poste Italiane SpA and collected by the subsidiary (€70,892 thousand).

Receivables due from the MEF

This item relates to trade receivables due from the Ministry of the Economy and Finance:

tab. A7.4 - Receivables due from the MEF

Item	Balance at 31 December 2014	Balance at 31 December 2013
Universal Service compensation	1,086,996	751,101
Publisher tariff and electoral subsidies	116,779	156,032
Remuneration of current account deposits	72,223	150,365
Payment for delegated services	28,295	36,418
Payment for distribution of euro coins	6,026	6,026
Other	4,226	4,419
Provisions for doubtful debts due from the MEF	(165,688)	(50,054)
Total	1,148,857	1,054,307
of which attributable to BancoPosta RFC	101,463	179,130

Specifically:

- Universal Service compensation includes €335,895 thousand accrued in 2014, €342,820 thousand accrued in 2013, €349,888 thousand originally recognised for 2012, €49,730 thousand for the balance of the payment due under the 2009-2011 *Contratto di Programma* (Planning Agreement) and €8,663 thousand for the remaining payments due in relation to 2005. As reported in Note 2.3 – *Use of estimates*, in accordance with the above-mentioned 2015 Stability Law (Law 190/2014), the sums in question will be paid to the extent of the funds available under current legislation, without prejudice to the results of AGCom's assessment of the net cost incurred by Poste Italiane SpA. With Resolution 412/14/CONS of 29 July 2014, AGCom upheld the principle that compensation for the universal service in 2011 and 2012 was unfair and that, as such, should be supplemented through public funds. For 2011, AGCom recognised a net cost of €380,600 thousand, compared to €357,101 thousand recorded by the Company in accordance with the 2009-2011 Planning Agreement and approved by the European Commission. For the balance of the receivable, amounting to €49,730 thousand, there was no funding in the state budget. For 2012, AGCom recognized a net cost of €327,300 thousand vis-à-vis compensation of €349,888 thousand recorded by the Company. The compatibility of this amount is subject to the approval of the European Commission in connection with the review of the 2012-2014 three-year period. Of the amount in question, €28,288 thousand has no funding in the state budget. On 13 November 2014, Poste Italiane filed an appeal against the AGCom resolution with the Regional Administrative Court. With reference to 2013, pursuant to resolution 493/14/CONS of 9 October 2014, AGCom has begun its assessment of the net cost incurred by the Company.
- Electoral subsidies include €16,747 thousand accruing in 2014, with the remainder attributable to previous years.
- The remuneration of current account deposits refers entirely to amounts accruing in 2014 and largely relates to the deposit of funds deriving from accounts opened by Public Sector entities and attributable to BancoPosta RFC.
- Payments for delegated services relate to fees accrued solely in the year under review for treasury services performed by Bancoposta on behalf of the state in accordance with a special agreement with the MEF, which was renewed on 11 June 2014 for the three-year period 2014-2016.

At 31 December 2014, funds to pay some of the above receivables have not been appropriated in the state budget, which means that the payment is either suspended or deferred (note 2.3 – *Use of estimates*). Movements in provisions for doubtful debts due from the MEF are as follows:

tab. A7.5 - Movements in provisions for doubtful debts due from the MEF

	Balance at 1 January 2013	Net provisions	Deferred revenue	Uses	Balance at 31 December 2013	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014
Provisions for doubtful debts	61,948	(11,894)	-	-	50,054	57,179	58,455	-	165,688
Total	61,948	(11,894)	-	-	50,054	57,179	58,455	-	165,688
of which attributable to BancoPosta RFC	7,972	-	-	-	7,972	(7,972)	-	-	-

Provisions for doubtful debts due from the MEF take account of the potential impact of legislation and other policies regarding the government's management of the public finances, which could affect the collectability of the receivables at the time of recognition. The provisions reflect the best estimate of unrecoverable amounts in view of the fact that these receivables have not been budgeted for by the Government and the related financial impact. Provisions for the year were due to the effects of the measures contained in the 2015 Stability Law (Law 190/2014).

A8 - OTHER RECEIVABLES AND ASSETS

This item breaks down as follows:

tab. A8 - Other receivables and assets

Item	Note	Balance at 31 December 2014			Balance at 31 December 2013		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		562.655	553.087	1.115.742	355.022	525.089	880.111
Receivable from fixed-term contract settlements		161.449	98.412	259.861	191.513	106.458	297.971
Amounts due from social security agencies and pension funds (excluding fixed-term contracts settlements)		-	80.572	80.572	-	77.899	77.899
Amounts that cannot be drawn on due to court rulings		-	81.441	81.441	-	64.425	64.425
Accrued income and prepaid expenses from trading transactions and other assets		-	6.569	6.569	-	12.632	12.632
Tax assets		-	9.177	9.177	-	7.677	7.677
Amounts due from subsidiaries		-	1.817	1.817	-	1.242	1.242
Sundry receivables		6.618	83.660	90.278	6.242	77.349	83.591
Provisions for doubtful debts due from others		-	(55.025)	(55.025)	-	(51.046)	(51.046)
Other receivables and assets		730.722	859.710	1.590.432	552.777	821.725	1.374.502
Receivable authorised by 2015 Stability Law, implementing court decision	[B2]	-	535.000	535.000	-	-	-
Interest accrued on IRES refund	[C10]	-	69.498	69.498	-	58.856	58.856
Total		**730.722**	**1.464.208**	**2.194.930**	**552.777**	**880.581**	**1.433.358**
of which attributable to BancoPosta RFC		562.655	619.589	1.182.244	355.022	584.375	939.397

Specifically:

- Substitute tax paid, which is attributable to BancoPosta RFC, primarily regards:
  - €562,655 thousand charged to holders of Interest-bearing Postal Certificates for stamp duty at 31 December 2014[64]. This amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €305,432 thousand relating to advances paid in relation to stamp duty to be paid in virtual form in 2015 and charged to customers;
  - €160,433 thousand relating to stamp duty charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €38,619 thousand to advances paid in relation to withholding tax on interest earned by current account holders for 2014, which is to be recovered from customers;
  - €15,979 thousand due from tax authorities relating to stamp duty paid in virtual form in 2014.

- Amounts due from staff under fixed-term contracts settlements consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012 and 21 March 2013 between Poste Italiane SpA and the trade unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of €259,861 thousand from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2038. Details of the individual agreements are provided below:

[64] Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

tab A8.1 - Receivables from fixed-term contracts settlements

Item	Balance at 31 December 2014				Balance at 31 December 2013			
	Non-current assets	Current assets	Total	Nominal value	Non-current assets	Current assets	Total	Nominal value
Receivables								
due from staff under agreement of 2006	7,840	3,341	11,181	12,322	10,139	3,863	14,002	15,644
due from staff under agreement of 2008	57,820	19,828	77,648	87,032	73,224	21,999	95,223	107,909
due from staff under agreement of 2010	44,757	8,624	53,381	69,367	50,116	10,402	60,518	79,248
due from staff under agreement of 2012	38,560	7,619	46,179	59,006	43,579	9,847	53,426	68,261
due from staff under agreement of 2013	6,032	1,498	7,530	8,801	7,178	2,319	9,497	11,041
due from former IPOST	-	41,529	41,529	41,529	-	41,529	41,529	41,529
due from INPS	6,440	11,094	17,534	19,679	7,277	11,620	18,897	21,370
due from pension fund	-	4,879	4,879	4,879	-	4,879	4,879	4,879
Total	**161,449**	**98,412**	**259,861**		**191,513**	**106,458**	**297,971**	

- Amounts that cannot be drawn on due to court rulings include €68,362 thousand in amounts seized and not assigned to creditors in the process of recovery, and €13,079 thousand in amounts stolen from the Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed.

- Receivables due from subsidiaries break down as follows:

tab. A8.2 - Receivables due from subsidiaries

Name	Balance at 31 December 2014	Balance at 31 December 2013
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	2	-
CLP ScpA	3	3
Consorzio PosteMotori	26	-
EGI SpA	137	137
Postecom SpA	863	663
Poste Tributi ScpA	-	2
PosteMobile SpA	375	335
PosteShop SpA	120	100
PosteTutela SpA	-	2
Poste Vita SpA	291	-
Total	**1,817**	**1,242**
of which attributable to BancoPosta RFC	-	-

- Movements in provisions for doubtful debts due from others are as follows:

tab. A8.3 - Movements in Provisions for doubtful debts due from others

	Balance at 1 January 2013	Net provisions	Uses	Balance at 31 December 2013	Net provisions	Uses	Balance at 31 December 2014
Public sector entities for sundry services	14,319	(81)	(1,201)	13,037	179	(22)	13,194
Receivables from fixed-term contract settlements	2,189	3,724	-	5,913	(37)	-	5,876
Other receivables	39,639	(7,543)	-	32,096	3,859	-	35,955
Total	**56,147**	**(3,900)**	**(1,201)**	**51,046**	**4,001**	**(22)**	**55,025**
of which attributable to BancoPosta RFC	19,175	(47)	(1,201)	17,927	773	-	18,700

- The receivable authorised by the 2015 Stability Law, implementing the court decision handed down by the EU court on 13 September 2013, totalling €535,000 thousand, is described in note B2.

A9 - CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Details of this item are as follows:

tab. A9 - Cash and deposits attributable to BancoPosta

Item	Balance at 31 December 2014	Balance at 31 December 2013
Cash and cash equivalents in hand	2,749,948	2,596,677
Cheques	573	50
Bank deposits	122,522	482,966
Total	**2,873,043**	**3,079,693**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€979,517 thousand) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€1,770,431 thousand). Bank deposits relate to BancoPosta RFC's operations and include amounts deposited in an account with the Bank of Italy to be used in interbank settlements, totalling €118,442 thousand.

A10 - CASH AND CASH EQUIVALENTS

This item breaks down as follows:

tab. A10 - Cash and cash equivalents

Item	Balance at 31 December 2014	Balance at 31 December 2013
Deposits with the MEF	933,566	529,414
Bank deposits and amounts held at the Italian Treasury	43,209	50,243
Cash and cash equivalents in hand	8,761	7,995
Total	985,536	587,652
of which attributable to BancoPosta RFC	942,347	543,755

At 31 December 2014, cash deposited with the MEF – held in the so-called buffer account – includes approximately €687,719 thousand in customers' deposits subject to investment restrictions but not yet invested (note 4.2).

Bank deposits and amounts held at the Italian Treasury include €11,151 thousand whose use is restricted by court orders related to different disputes.

A11 - NON-CURRENT ASSETS HELD FOR SALE

This item, solely regarding assets outside the ring-fence, breaks down as follows:

tab. A11 - Non-current assets held for sale

	2014	2013
Balance at 1 January		
Cost	-	225
Accumulated depreciation	-	(96)
Impairments	-	-
Carrying amount	**-**	**129**
Movements during the year		
Purchases	-	-
Reclassifications of non-current assets[1]	222	-
Disposals[2]	(222)	(129)
Total movements	**-**	**(129)**
Balance at 31 December		
Cost	-	-
Accumulated depreciation	-	-
Impairments	-	-
Carrying amount	**-**	**-**
Reclassifications[1]		
Cost	494	-
Accumulated depreciation	(272)	-
Total	**222**	**-**
Disposals[2]		
Cost	(494)	(225)
Accumulated depreciation	272	96
Accumulated impairments	-	-
Total	**(222)**	**(129)**

EQUITY

B1 – SHARE CAPITAL

The share capital consists of 1,306,110,000 ordinary shares with a par value of €1 each owned by the MEF, the sole shareholder.

At 31 December 2014, all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Company does not hold treasury shares.

B2 - SHAREHOLDER TRANSACTIONS

As decided by the General Meeting of shareholders held on 2 May 2014, on 30 May 2014 the Company paid dividends totalling €500,000 thousand, based on a dividend per share of €0.38.

The other shareholder transactions of €535,000 thousand, as shown in the statement of changes in equity, refer to the recognition of a receivable due from the MEF, as per article 1, paragraph 281 of the 2015 Stability Law (Law 190 of 23 December 2014), for the return of amounts deducted from Poste Italiane SpA's retained earnings on 17 November 2008 and transferred to the MEF, pursuant to the European Commission's Decision C42/2006 of 16 July 2008[65] (note A8). As the payment of the sums under the Decision of 2008 were drawn from the Company's portion of retained earnings accrued "ideally" from the returns on Poste Italiane SpA's deposits with the MEF, which was considered improper by the European Commission and constituting, in essence, state aid to the benefit of a state-owned company, the MEF's obligation to return the above amounts was, accordingly, also recognised in retained earnings to the extent required by Law 190/2014.

In implementing the sentence of the European Court of 13 September 2013, the 2015 Stability Law has authorised payment of the sum of €535,000 thousand, less than the €577,377 thousand inclusive of interest, payable to the Company at 31 December 2014. In this respect, there is no certainty that in future there will be new laws authorising additional payments to Poste Italiane and as such, the receivable in question has been recognised to the extent defined by the above-mentioned Stability Law. Consequently, interest for 2014 was adjusted by €8,970 thousand, while the interest accrued until 31 December 2013, in the amount of €33,407 thousand, was written off. As indicated in the "Statement of changes in equity", deferred tax assets of €25,239 thousand recognised in 2013 were offset against the interest component of €91,776 thousand.

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[65] The shareholder is required to return these sums to the Company following the ruling of the EU Court of 13 September 2013, which has become final. In fact, following the Decision of 2008, the Company had returned to the MEF, in its dual capacity as the Company's shareholder and the disbursing entity, alleged state aid that was adjudged to be illegal under EU rules. The Commission had determined that the interest rate paid to the Company from 1 January 2005 until 31 December 2007 on deposits with the MEF (pursuant to article 1, paragraph 31 of Law 266 of 23 December 2005, the "2006 Budget Act") was higher than that payable by a "private borrower", due both to the manner in which it was computed and the variability of the rates used. On 1 December 2008 the Company filed an appeal against the Commission's Decision with the European Court of Justice, which, on 13 September 2013, overturned the Decision, arguing that the setting of the interest rate should be interpreted in view of the Company's obligation, required by the state, to deposit with the MEF all deposits held in its current accounts. For this reason "the Commission was wrong to conclude that the simple fact that there was a positive difference between the interest rate recognised under the Agreement and the interest rate payable by a private borrower constituted state aid". Moreover, even the conclusion whereby possible investment alternatives, in the absence of any restriction on the use, would not have allowed the Company to obtain returns similar or greater than the interest rate under the Agreement, was considered to be based on "erroneous or insufficient grounds".

B3 - RESERVES

tab. B3 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2013	**263,122**	**1,000,000**	**25,686**	**(125,220)**	**1,163,588**
Increases/(decreases) in fair value during the year	-	-	927,967	188,216	1,116,183
Tax effect of changes in fair value	-	-	(290,173)	(60,348)	(350,521)
Transfers to profit or loss	-	-	(209,921)	(30,643)	(240,564)
Tax effect of transfers to profit or loss	-	-	67,322	9,801	77,123
Gains/(Losses) recognised in equity	-	-	495,195	107,026	602,221
Attribution of profit for 2012	36,112	-	-	-	36,112
Balance at 31 December 2013	**299,234**	**1,000,000**	**520,881**	**(18,194)**	**1,801,921**
of which attributable to BancoPosta RFC	-	1,000,000	523,720	(18,194)	1,505,526
Increases/(decreases) in fair value during the year	-	-	1,790,691	143,870	1,934,561
Tax effect of changes in fair value	-	-	(569,372)	(46,056)	(615,428)
Transfers to profit or loss	-	-	(228,829)	(46,483)	(275,312)
Tax effect of transfers to profit or loss	-	-	73,271	14,880	88,151
Gains/(Losses) recognised in equity	-	-	1,065,761	66,211	1,131,972
Attribution of profit for 2013	-	-	-	-	-
Balance at 31 December 2014	**299,234**	**1,000,000**	**1,586,642**	**48,017**	**2,933,893**
of which attributable to BancoPosta RFC	-	1,000,000	1,573,116	48,017	2,621,133

Details are as follows:

- the fair value reserve regards changes in the fair value of available-for-sale financial assets which, during 2014, showed gains totalling €1,790,691 thousand as follows:
  - €1,768,119 thousand regarding the net fair value gain on available-for-sale financial assets attributable to BancoPosta RFC, consisting of €1,759,101 thousand in gains on securities and €9,018 thousand in gains on equity instruments;
  - €22,572 thousand regarding the net fair value gain on available-for-sale financial assets outside the ring-fence.
- the cash flow hedge reserve reflects changes in the fair value of the effective portion of cash flow hedges outstanding. In 2014, net fair value gains of €143,870 thousand were attributable to the value of BancoPosta RFC's derivative financial instruments.

Information on the BancoPosta RFC reserve is provided in note 4.2.

LIABILITIES

B4 - PROVISIONS FOR RISKS AND CHARGES

Movements in provisions for risks and charges are as follows:

tab. B4 - Movements in provisions for risks and charges

Movements in provisions for risks and charges in the year ended 31 December 2014

Item	Balance at 31 December 2013	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2014
Provisions for non-recurring charges	261,809	45,992	-	(17,562)	(19,979)	270,260
Provisions for disputes with third parties	315,934	67,615	1,200	(28,563)	(10,168)	346,018
Provisions for disputes with staff (1)	220,900	25,318	-	(25,489)	(40,249)	180,480
Provisions for personnel expenses	101,987	59,930	-	(10,085)	(45,587)	106,245
Provisions for restructuring charges	114,000	256,500	-	-	(114,000)	256,500
Provisions for expired and statute barred postal savings certificates	13,038	-	492	-	(154)	13,376
Provisions for taxation/social security contributions	7,412	282	-	(1,502)	(624)	5,568
Other provisions	53,747	20,854	-	(4,153)	(2,090)	68,358
Total	1,088,827	476,491	1,692	(87,354)	(232,851)	1,246,805
of which attributable to BancoPosta RFC	348,280	56,174	806	(21,018)	(26,423)	357,819
Overall analysis of provisions:						
- non-current portion	511,026					542,845
- current portion	577,801					703,960
	1,088,827					1,246,805

(1) Net releases for personnel expenses total €6,421 thousand. Service costs (legal assistance) total €6,250 thousand.

Movements in provisions for risks and charges in the year ended 31 December 2013

Item	Balance at 31 December 2012	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2013
Provisions for non-recurring charges	213,272	87,645 (1)	-	(6,840)	(32,268)	261,808
Provisions for disputes with third parties	336,192	70,060	2,236	(78,239)	(14,315)	315,934
Provisions for disputes with staff (2)	342,121	39,515	-	(101,693)	(59,043)	220,900
Provisions for personnel expenses	172,917	55,548	-	(27,672)	(98,806)	101,987
Provisions for restructuring charges	190,000	114,000	-	-	(190,000)	114,000
Provisions for expired and statute barred postal savings certificates	12,657	-	501	-	(120)	13,038
Provisions for taxation/socialsecurity contributions	7,599	-	-	-	(187)	7,412
Other provisions	65,237	1,756	-	(7,503)	(5,743)	53,747
	1,339,995	368,524	2,737	(221,947)	(400,482)	1,088,826
Provisions for tax consolidation liabilities	14,193	65 (3)	-	-	(14,258)	-
Total	1,354,188	368,589	2,737	(221,947)	(414,740)	1,088,826
of which attributable to BancoPosta RFC	282,012	113,427	1,252	(10,228)	(38,183)	348,280
Overall analysis of provisions:						
- non-current portion	503,474					511,026
- current portion	850,713					577,801
	1,354,188					1,088,827

(1) Of which €20,556 thousand due to reclassifications.

(2) Net releases for personnel expenses total €46,949 thousand. Service costs (legal assistance) total €11,049 thousand, whilst releases due to updates of estimates total €26,278 thousand.

(3) These provisions are offset by a reduction in current tax liabilities.

Specifically:

- Provisions for non-recurring charges relate to operational risks arising from BancoPosta's operations. They primarily regard the liabilities arising from the reconstruction of operating ledger entries at the time of the Company's incorporation, liabilities deriving from the provision of delegated services for social security agencies, fraud, violations of administrative regulations, compensation and adjustments to income for previous years, estimated risks for charges and expenses to be incurred in connection with seizures effected by BancoPosta as garnishee-defendant, and risks linked to disputes with customers regarding instruments and investment products whose characteristics are believed by such customers to not match their profile and/or whose performance is not in line with their expectations. Provisions made during the year primarily reflect liabilities deriving from fraud, violations of administrative regulations and compensation and adjustments to income for previous years. Uses, amounting to €19,979 thousand, relate to settlement of disputes and payment of other liabilities during the year. Releases to profit or loss, amounting to €17,562 thousand, relate to liabilities recognised in the past that failed to materialise.
- Provisions for disputes with third parties regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Provisions for the year of €67,615 thousand reflect the estimated value of new liabilities measured on the basis of expected outcomes. The reduction of €28,563 thousand relates to the reversal of liabilities recognised in the past, whilst a reduction of €10,168 thousand regards the value of disputes settled.
- Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €171 thousand, after provisions for legal expenses, relate to an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation, and the application of Law 183 of 4 November 2010 ("*Collegato lavoro*"), which has introduced a cap on current and future compensation payable to an employee in the event of "court-imposed conversion" of a fixed-term contract. Uses of €40,249 thousand regard amounts used to cover the cost of settling disputes, including €872 thousand for assets seized by creditors.
- Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour. They have increased by €59,930 thousand in relation to new liabilities and decreased as a result of past liabilities that failed to materialise (€10,085 thousand) and settled disputes (€45,587 thousand).
- Provisions for restructuring charges reflect the estimated costs to be incurred by the Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2016. Use of €114,000 thousand was made during the year under review.
- Provisions for expired and statute barred Postal Certificates held by Bancoposta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2014, the provisions represent the present value of total liabilities, based on a nominal value of €21,490 thousand, expected to be progressively settled by 2043.
- Provisions for taxation/social security contributions have been made to cover potential future tax liabilities.
- Other provisions cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Company's assets may be unable to recover the related amounts; losses incurred by subsidiaries that the Company's intends to make good; claims for rent

arrears on properties used free of charge by the Company; and claims for payment of accrued interest expense due to certain suppliers. Provisions of €20,854 thousand for the year regard the first two types of liability.

B5 - EMPLOYEE TERMINATION BENEFITS

Movements in employee termination benefits are as follows:

tab. B5 - Movements in provisions for employee termination benefits

		2014		2013
Balance at 1 January		**1,301,616**		**1,398,665**
interest component	38,257		41,677	
effect of actuarial gains/(losses)	170,907		(78,658)	
Provisions for the year		209,164		(36,981)
Uses for the year		(76,128)		(70,640)
Reductions due to fixed-term contract settlements of 2012 and 2013		(219)		(181)
Re-alignment fixed-term contract settlements of 2008 and 2010		-		10,753
Balance at 31 December		**1,434,433**		**1,301,616**
of which attributable to BancoPosta RFC		20,219		18,217

The interest component is recognised in finance costs. The current service cost, which from 2007 is paid to pension funds or third-party social security agencies and is no longer included in the employee termination benefits managed by the Company, is recognised in personnel expenses. Net uses of provisions for employee termination benefits amount to €76,128 thousand, of which €74,491 thousand relates to benefits paid, €2,179 thousand to substitute tax and €542 thousand to transfers to a number of Group companies.

The main actuarial assumptions applied in calculating provisions for employee termination benefits are as follows:

tab. B5.1 - Economic and financial assumptions

	At 31 December 2014	At 30 June 2014	At 31 December 2013
Discount rate	1.49%	2.30%	3.17%
Inflation rate	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on	2.00%	2.00%
Annual rate of increase of employee termination benefits	1.95% for 2015 2.4% for 2016 2.625% for 2017 and 2018 3.00% from 2019 on	3.00%	3.00%

tab. B5.2 - Demographic assumptions

	At 31 December 2014
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains and losses are generated by the following factors:

tab. B5.3 - Actuarial gains and losses

	At 31 December 2014	At 31 December 2013
Change in demographic assumptions	-	-
Change in financial assumptions	188,685	(66,727)
Other experience-related adjustments	(17,778)	(11,931)
Total	170,907	(78,658)

tab. B5.4 - Sensitivity analysis

	Employee termination benefits at 31 December 2014	Employee termination benefits at 31 December 2013
Inflation rate +0.25%	1,457,212	1,323,595
Inflation rate -0.25%	1,412,112	1,280,106
Discount rate +0.25%	1,398,629	1,269,842
Discount rate -0.25%	1,471,623	1,334,590
Turnover rate +0.25%	1,432,003	1,302,875
Turnover rate -0.25%	1,436,934	1,300,324

The following table provides further information in relation to employee termination benefits.

tab. B5.5 - Other information

	At 31 December 2014
Service Cost (expected for 2015)	-
Average duration of defined benefit plan	10.8
Average employee turnover	0.64%

B6 - FINANCIAL LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

This item breaks down as follows:

tab. B6 - Financial liabilities attributable to BancoPosta

	Balance at 31 December 2014			Balance at 31 December 2013		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	-	40,792,464	40,792,464	-	41,132,902	41,132,902
Borrowings	1,500,515	4,138,653	5,639,168	3,768,590	1,154,390	4,922,980
Financial institutions borrowings	1,500,515	4,138,653	5,639,168	3,768,590	1,154,390	4,922,980
Derivative financial instruments	1,723,316	(3,104)	1,720,212	477,530	(6,557)	470,973
Cash flow hedges	55,298	(7,309)	47,989	116,128	(12,828)	103,300
Fair Value hedges	1,668,018	4,205	1,672,223	361,402	6,271	367,673
Other financial liabilities	-	2,347,314	2,347,314	-	2,175,583	2,175,583
Total	**3,223,831**	**47,275,327**	**50,499,158**	**4,246,120**	**44,456,318**	**48,702,438**

Payables deriving from postal current accounts

These payables include net amounts accrued at 31 December 2014 and settled with customers in January 2015. The balance includes amounts due to Poste Italiane Group companies, totalling €177,419 thousand, with €58,910 thousand deposited in postal current accounts by Poste Vita SpA.

Borrowings

Financial institutions borrowings

At 31 December 2014, financial institutions borrowings amount to €5,639,168 thousand and regard repurchase agreements, with collateral in the form of securities, having a nominal value of €5,373,962 thousand, entered into with major financial institutions. These liabilities consist of:

- Two loans of an original amount of €2.5 billion each, paying the REFI rate[66], plus a spread negotiated with the lenders, obtained in February 2012 in connection with the Long Term Refinancing Operation (LTRO) conducted by the ECB. The proceeds of the loans were invested entirely in Italian government bonds with the same nominal amount, with a view to bringing forward the rollover of BancoPosta's maturing investments. In particular:
  - €2,508,950 thousand (€8,949 thousand of which accrued interest) was settled with a bullet repayment in February 2015;
  - €408,639 thousand (€8,696 thousand of which accrued interest) was repaid to Cassa Depositi e Prestiti on 26 February 2015;
- €1,861,923 thousand (€8,624 thousand of which accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed-income government securities of a matching nominal amount;
- €859,656 thousand (€67 thousand of which accrued interest) relating to BancoPosta's ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers.

At 31 December 2014, the fair value[67] of the above borrowings amounts to €5,662,575 thousand.

Derivative financial instruments

Movements in derivative financial instruments during 2014 are described in section A5. Net fair value losses on the current portion of these instruments, which include income from differentials accruing at 31 December 2014, total €1,720,212 thousand.

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[66] The "REFI rate" or "refinancing operations rate" is the variable interest rate that banks are required to pay when they borrow from the ECB.

[67] In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Other financial liabilities

tab. B6.1 - Other financial liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	937.506	937.506	-	789.187	789.187
Domestic and international money transfers	-	520.105	520.105	-	497.779	497.779
Cheques to be credited to Postal Savings Books	-	332.871	332.871	-	357.095	357.095
Tax collection and road tax	-	136.987	136.987	-	176.413	176.413
Endorsed cheques	-	157.527	157.527	-	152.211	152.211
Amounts to be credited to customers	-	125.264	125.264	-	87.159	87.159
Other amounts payable to third parties	-	62.352	62.352	-	63.017	63.017
Guarantee deposits	-	33.737	33.737	-	11.086	11.086
Payables for items in process	-	40.965	40.965	-	41.636	41.636
Total	**-**	**2.347.314**	**2.347.314**	**-**	**2.175.583**	**2.175.583**

Specifically:

- Amounts due on prepaid cards, totalling €928,637 thousand, relate to the electronic top-up of Postepay cards.
- Amounts due on domestic and international money transfers represent the exposure to third parties for:
  - domestic postal orders, totalling €344,653 thousand;
  - domestic and international transfers, totalling €175,452 thousand.
- Tax collection and road tax payables relate to amounts due to collection agents, the tax authorities and regional authorities for payments made by customers.
- Amounts to be credited to customers relate to amounts received from the Ministry for Economic Development to fund the payment of "fuel bonuses" to qualifying customers, payments of bills by payment slip in the process of being credited to beneficiaries' accounts, premiums collected and payments to be made on behalf of Poste Vita SpA, amounts to be paid for Bancoposta promotions, etc..

B7 - FINANCIAL LIABILITIES

Financial liabilities break down as follows:

tab. B7 - Financial liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Borrowings	1,197,298	1,358,316	2,555,614	1,198,694	1,016,987	2,215,681
Bonds	796,267	13,405	809,672	795,312	13,405	808,717
Amounts due to Cassa Depositi e Prestiti for loans	1,031	2,351	3,382	3,382	113,594	116,976
Financial institutions borrowings	400,000	1,342,560	1,742,560	400,000	889,988	1,289,988
Derivative financial instruments	55,063	2,951	58,014	22,645	2,868	25,513
Fair value hedges	48,470	2,897	51,367	22,362	2,814	25,176
Fair value through profit or loss	6,593	54	6,647	283	54	337
Financial liabilities due to subsidiaries	-	887,384	887,384	-	306,045	306,045
Other financial liabilities	102	4,349	4,451	306	719	1,025
Total	**1,252,463**	**2,253,000**	**3,505,463**	**1,221,645**	**1,326,619**	**2,548,264**

Borrowings

Borrowings are unsecured and are not subject to financial covenants, which would require the Company to comply with financial ratios or maintain a certain minimum rating. Financial institutions borrowings are subject to standard negative pledge clauses[68].

Bonds

As part of the Company's EMTN – Euro Medium Term Note programme, totalling €2 billion, the following bonds listed on the Luxembourg Stock Exchange were issued in 2013:

- bonds with a nominal value of €750 million, placed through a public offering for institutional investors at a below par price of €99.66 on 18 June 2013. The bonds have a term to maturity of five years and pay annual coupon interest at a fixed rate of 3.25%. The fair value[69] of this borrowing at 31 December 2014 is €810,090 thousand;
- bonds with a nominal value of €50 million subscribed by investors through a private placement at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and is variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The cash flow interest rate risk exposure was hedged as described in section A6. The fair value[70] of this borrowing at 31 December 2014 is €52,435 thousand.

Amounts due to Cassa Depositi e Prestiti for loans

This item refers to fixed rate loans whose residual value, measured at the amortised cost at 31 December 2014, is €3,382 thousand, and whose fair value[71] at the same date is €3,688 thousand. The outstanding principal assigned by law to the Ministry of the Economy and Finance is offset by a receivable, recognised as a financial asset due from the MEF, which will be collected in keeping with the loans' repayment schedules.

Financial institutions borrowings

tab. B7.1 - Financial institutions borrowings

	Balance at 31 December 2014			Balance at 31 December 2013		
Item	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**
Repurchase agreements	-	564,229	564,229	-	677,102	677,102
EIB fixed rate loan maturing 11 April 2018	200,000	-	200,000	200,000	-	200,000
EIB fixed rate loan maturing 23 March 2019	200,000	-	200,000	200,000	-	200,000
Short-term borrowings	-	775,000	775,000	-	210,000	210,000
Accrued interest expense	-	3,331	3,331	-	2,886	2,886
Total	**400,000**	**1,342,560**	**1,742,560**	**400,000**	**889,988**	**1,289,988**

68 A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with existing creditors, unless the same degree of protection is also offered to them.

69 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

70 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

71 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

At 31 December 2014, outstanding repurchase agreements, totalling €564,229 thousand, involve securities with a total nominal amount of €500,000 thousand, entered into during the year to optimise returns and to meet its short-term liquidity requirements. The fair value[72] of these repurchase agreements amounts to €564,271 thousand.

The fair value[73] of the two fixed rate EIB loans of €400,000 thousand is €411,133 thousand.

The carrying amount of the other financial liabilities in table B7.2 approximates to their fair value.

Credit facilities

At 31 December 2014, the following credit facilities are available:

- committed lines of €800 million;
- uncommitted lines of credit of €1,006 million, including: €806 million in short-term loans and €200 million in advances against trade receivables;
- overdraft facilities of €81 million;
- unsecured guarantee facilities with a value of €302 million.

At 31 December 2014, €575 million in uncommitted lines of credit has been drawn down in the form of short-term borrowings and €200 million as advances against trade receivables. Unsecured guarantees with a value of €137 million have been used on behalf of Poste Italiane SpA and with a value €69 million on behalf of Group companies. No collateral has been provided to secure the lines of credit obtained.

The uncommitted lines of credit and overdraft facilities are also available for overnight transactions entered into by BancoPosta RFC. At 31 December 2014, these facilities have not been used.

From 2014, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €470 million and the facility is unused at 31 December 2014.

The existing lines of credit and medium/long-term borrowings are adequate to meet expected financing requirements.

Derivative financial instruments

At 31 December 2014, these instruments have a fair value of €58,014 thousand (€25,513 thousand at 31 December 2013). Movements in derivative financial instruments during 2014 are described in section A6.

Financial liabilities due to subsidiaries

These liabilities relate to short-term loans and intercompany current accounts paying interest at market rates and break down as follows:

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72 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

73 In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

tab. B7.2 - Financial liabilities due to subsidiaries

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Loans	Inter-company accounts	Total	Loans	Inter-company accounts	Total
Direct subsidiaries						
BancoPosta Fondi SpA SGR	-	2,636	2,636	-	15,998	15,998
CLP ScpA	-	11	11	-	11	11
EGI SpA	-	135,612	135,612	-	216,046	216,046
PosteTutela SpA	-	10,251	10,251	-	7,437	7,437
Poste Vita SpA	-	702,879	702,879	-	142	142
Postecom SpA	-	15,004	15,004	-	958	958
PosteMobile SpA	-	20,991	20,991	30,162	35,291	65,453
Total	-	**887,384**	**887,384**	**30,162**	**275,883**	**306,045**

Other financial liabilities

This item, amounting to €3,090 thousand, regards guarantee deposits, accounted for in current liabilities, received from counterparties in relation to repurchase agreements covering fixed-income securities (collateral under specific Global Master Repurchase Agreements).

B8 - TRADE PAYABLES

tab. B8 - Trade payables

Item	Balance at 31 December 2014	Balance at 31 December 2013
Amounts due to suppliers	754,090	799,892
Amounts due to subsidiaries	274,428	291,311
Prepayments and advances from customers	184,572	209,500
Other trade payables	9,000	13,294
Total	**1,222,090**	**1,313,997**
of which attributable to BancoPosta RFC	70,072	54,566

Amounts due to suppliers

tab. B8.1 - Amounts due to suppliers

Item	Balance at 31 December 2014	Balance at 31 December 2013
Italian suppliers	634,845	671,749
Overseas suppliers	15,393	13,626
Overseas counterparties[1]	103,852	114,517
Total	**754,090**	**799,892**
of which attributable to BancoPosta RFC	31,292	17,053

(1) The amount due to overseas counterparties regards fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Amounts due to subsidiaries

tab. B8.2 - Amounts due to subsidiaries

Name	Balance at 31 December 2014	Balance at 31 December 2013
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	9	-
CLP ScpA	65,438	67,127
Consorzio PosteMotori	361	-
Consorzio per i Servizi di Telefonia Mobile ScpA	46,948	38,774
EGI SpA	254	1,363
Mistral Air Srl	520	478
PatentiViaPoste ScpA	872	278
Poste Energia SpA	17,769	17,577
Poste Tributi ScpA	2,666	1,775
PosteTutela SpA	41,282	39,741
Poste Vita SpA	4	28
Postecom SpA	35,255	69,236
Postel SpA	1,745	1,561
PosteMobile SpA	3,228	4,310
PosteShop SpA	876	742
SDA Express Courier SpA	2,246	1,070
Indirect subsidiaries		
PostelPrint SpA	54,573	46,925
Italia Logistica Srl	178	188
Kipoint SpA	204	138
Total	**274,428**	**291,311**
of which attributable to BancoPosta RFC	29,701	24,142

Prepayments and advances from customers

This item refers to amounts received from customers as prepayment for the following services to be rendered:

tab. B8.3 - Prepayments and advances from customers

Item	Balance at 31 December 2014	Balance at 31 December 2013
Overseas counterparties	79,558	85,585
Automated franking	65,617	81,078
Unfranked mail	17,254	16,549
Postage-paid mailing services	6,065	7,888
Other services	16,078	18,400
Total	**184,572**	**209,500**
of which attributable to BancoPosta RFC	79	77

B9 - OTHER LIABILITIES

tab. B9 - Other liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	751,472	751,472	-	733,100	733,100
Social security payables	43,362	479,747	523,109	46,156	462,064	508,220
Other tax liabilities	562,655	138,760	701,415	355,022	194,938	549,960
Amounts due to the MEF	-	12,140	12,140	-	12,140	12,140
Other amounts due to subsidiaries	3,069	16,926	19,995	-	188,128	188,128
Sundry payables	84,355	19,495	103,850	67,277	21,001	88,278
Accrued expenses and deferred income from trading transactions	11,589	15,270	26,859	15,401	19,668	35,069
Total	**705,030**	**1,433,810**	**2,138,840**	**483,856**	**1,631,039**	**2,114,895**
of which attributable to BancoPosta RFC	639,039	72,900	711,939	414,406	122,209	536,615

Amounts due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2014. The following table shows a breakdown:

tab. B9.1 - Amounts due to staff

Item	Balance at 31 December 2014	Balance at 31 December 2013
Fourteenth month salaries	233,810	236,615
Incentives	298,167	331,794
Accrued vacation pay	55,379	60,555
Other amounts due to staff	164,116	104,136
Total	**751,472**	**733,100**
of which attributable to BancoPosta RFC	10,747	10,710

Social security payables

tab. B9.2 - Social security payables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	-	392,868	392,868	-	376,570	376,570
Pension funds	-	78,053	78,053	-	76,631	76,631
INAIL	43,362	2,794	46,156	46,156	2,726	48,882
Other agencies	-	6,032	6,032	-	6,137	6,137
Total	**43,362**	**479,747**	**523,109**	**46,156**	**462,064**	**508,220**
of which attributable to BancoPosta RFC	-	6,476	6,476	-	6,556	6,556

Specifically:

- Amounts due to the *Istituto Nazionale per la Previdenza Sociale* (*INPS*, the National Institute of Social Security) primarily relate to amounts due on salaries paid and accrued at 31 December 2014. This item also includes provisions for employee termination benefits still to be paid.
- Amounts payable to pension funds relate to sums due to FondoPoste and other pension funds following the decision by certain of the Company's employees to join supplementary funds.
- Amounts due to the *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro* (*INAIL*, the National Occupational Injury Compensation Authority) relate to injury compensation paid to employees of the Company for injuries occurring up to 31 December 1998.

Other tax liabilities

Other tax liabilities break down as follows:

tab. B9.3 - Other tax liabilities

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Withholding tax on employees' and consultants' salaries	-	96,816	96,816	-	108,048	108,048
Withholding tax on postal current accounts	-	20,653	20,653	-	35,108	35,108
Stamp duty payable	562,655	-	562,655	355,022	32,493	387,515
Substitute tax	-	1,368	1,368	-	-	-
Other taxes due	-	19,923	19,923	-	19,289	19,289
Total	**562,655**	**138,760**	**701,415**	**355,022**	**194,938**	**549,960**
of which attributable to BancoPosta RFC	562,655	34,486	597,141	355,022	79,984	435,006

In particular:

- Withholding tax on employees' and consultants' salaries relates to amounts paid to the tax authorities by the Company in January and February 2015 as the withholding agent.
- Withholding tax due on postal current accounts refers to amounts withheld by BancoPosta RFC on interest accrued during the year on customer current accounts.
- Stamp duty relates to the amount accrued at 31 December 2014 on Interest-bearing Postal Certificates outstanding pursuant to the new law referred to in section A8 ("Other receivables and assets").

Amounts due to the MEF

Amounts due to the MEF, amounting to €12,140 thousand, relate to pensions paid by the Ministry to former employees of Poste Italiane SpA for the period 1 January 1994 to 31 July 1994.

Other amounts due to subsidiaries

tab. B9.4 - Other amounts due to subsidiaries

Name	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Direct subsidiaries						
EGI SpA	-	42	42	-	40	40
Mistral Air Srl	1,436	1,772	3,208	-	1,235	1,235
Poste Vita SpA	-	1,525	1,525	-	157,259	157,259
Postel SpA	-	1,657	1,657	-	1,628	1,628
Poste Holding Participações do Brasil Ltda	-	792	792	-	7	7
PosteMobile SpA	-	1	1	-	-	-
SDA Express Courier SpA	1,633	9,961	11,594	-	26,802	26,802
Indirect subsidiaries						
Poste Assicura SpA	-	76	76	-	76	76
PostelPrint SpA	-	1,100	1,100	-	1,081	1,081
Total	**3,069**	**16,926**	**19,995**	-	**188,128**	**188,128**
of which attributable to BancoPosta RFC	-	-	-	-	-	-

This item primarily regards the amount payable by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (note 2.2 – *Summary of significant accounting standards and policies*), to subsidiaries in return for the transfer of tax credits for advance payments, withholding taxes paid and tax paid overseas, less IRES payable by subsidiaries to the consolidating entity, and the benefit linked to the tax losses transferred from Mistral Air Srl and SDA Express Courier SpA during 2014.

Sundry payables

This item breaks down as follows:

tab. B9.5 - Sundry payables

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	76,384	10,337	86,721	59,384	9,624	69,008
Guarantee deposits	7,971	164	8,135	7,893	160	8,053
Other	-	8,994	8,994	-	11,217	11,217
Total	**84,355**	**19,495**	**103,850**	**67,277**	**21,001**	**88,278**
of which attributable to BancoPosta RFC	76,384	10,501	86,885	59,384	9,784	69,168

In detail:

- sundry payables attributable to Bancoposta's operations primarily relate to prior year balances currently being verified.
- guarantee deposits primarily relate to amounts collected from customers as a guarantee of payment for services (postage-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

Accrued expenses and deferred income from trading transactions

tab. B9.6 - Accrued expenses and deferred income

Item	Balance at 31 December 2014			Balance at 31 December 2013		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	2,855	2,855	-	2,700	2,700
Deferred income	11,589	12,415	24,004	15,401	16,968	32,369
Total	**11,589**	**15,270**	**26,859**	**15,401**	**19,668**	**35,069**
of which attributable to BancoPosta RFC	-	10,690	10,690	-	15,175	15,175

Deferred income outside the ring-fence primarily regards:

- €6,863 thousand in grants approved by the competent public authorities in favour of the Company, whose matching costs have not been incurred yet;
- €5,041 thousand (of which €4,726 thousand relates to income to be recognised after 2014) relating to advance collection of the rental on a thirty-year lease of a pneumatic postal structure in Rome.

Deferred income attributable to BancoPosta RFC regards the following:

- €8,470 thousand in fees on Postemat cards collected in advance;
- €2,220 thousand relating to income to be recognised in future years as a result of the Mondo BancoPosta loyalty programme, which grants award credits to customers to reward loyalty. Recognition of the related revenue is deferred until the Company has fulfilled its obligations to deliver awards to customers or, if the award credits must be used within a limited period of time, until the credits are no longer valid, in accordance with IFRIC 13.

STATEMENT OF PROFIT OR LOSS

C1 - REVENUE FROM SALES AND SERVICES

Revenue from sales and services, amounting to €8,470,674 thousand, break down as follows:

tab. C1 -Revenue from sales and services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Postal services	3,146,825	3,547,431
BancoPosta services	5,227,530	5,326,083
Other sales of goods and services	96,319	104,706
Total	**8,470,674**	**8,978,220**

Postal services

Revenue from Postal services breaks down as follows:

tab. C1.1 - Postal services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Unfranked mail	1,148,994	1,246,651
Automated franking by third parties and at post offices	882,255	1,012,562
Stamps	248,364	301,801
Integrated services	215,482	243,129
Postage-paid mailing services	130,194	148,407
Overseas mail and parcels	114,434	103,857
Telegrams	28,895	33,403
Census services	-	22
Other postal services	84,112	58,647
Total market revenues	**2,852,730**	**3,148,479**
Universal Service compensation	277,440	342,820
Electoral subsidies(1)	16,655	56,132
Total	**3,146,825**	**3,547,431**

(1) Subsidies for tariffs discounted in accordance with the law.

In detail:

- Unfranked mail relates to revenue from the mailing of correspondence by large customers from the post office network, including those conducted using the Bulk Mail formula.
- Automated franking by third parties or at post offices relates to revenue from the mailing of correspondence franked by customers or at post offices using a franking machine.
- Stamps relates to the sale of stamps through post offices and authorised outlets, and sales of stamps used for franking on credit.
- Integrated services relate primarily to the delivery of administrative notices and fines (€183,916 thousand).
- Postage-paid mailing services relate to revenue from the delivery of publications and mail-order goods on behalf of publishers.

- Revenue from **telegrams** primarily relates to the telegram service provided by phone or at post offices, and amounting to €20,017 thousand and €7,678 thousand, respectively.
- **Universal Service compensation** relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The compensation amount reported for 2014 is limited to the sum appropriated in the state budget under applicable legislation (article 1, paragraph 274 of Law 190/2014). To this end, reference is made to note 2.3 – *Use of estimates* and A7.3 – *Due from the MEF*.
- **Electoral subsidies** relate to amounts paid by the state to cover reductions and preferential prices granted to election candidates under Law 515/93.

BancoPosta services

This revenue breaks down as follows:

tab. C1.2 - BancoPosta services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from investment of postal current account deposits	1,659,220	1,753,462
Fees for collection of postal savings deposits	1,640,267	1,620,000
Revenue from current account services	507,598	508,192
Commissions on payment of bills by payment slip	492,872	566,997
Insurance brokerage	361,329	328,438
Income from delegated services	135,627	129,788
Arrangement of loan products	119,886	127,132
Fees for issue and use of prepaid cards	114,968	102,801
Money transfers	54,848	63,136
Distribution of investment funds	18,241	16,874
Securities custody	11,449	16,414
Commissions from securities placements and trading	9,218	21,718
Other products and services	102,007	71,131
Total	**5,227,530**	**5,326,083**

In particular:

- **Income from the investment of postal current account deposits** breaks down as follows:

tab. C1.2.1 - Income from investment of postal current accounts deposits

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from investments in securities	1,586,020	1,587,576
Interest income on held-to-maturity financial assets	631,705	659,040
Interest income on available-for-sale financial assets	913,206	893,640
Interest income on securities held for trading	16	226
Interest income on asset swaps of available-for-sale financial assets	41,093	34,670
Income from deposits held with the MEF	73,504	167,958
Remuneration of current account deposits (deposited with the MEF)	73,504	157,239
Differential on derivatives stabilising returns	-	10,719
Net remuneration of own liquidity recognised in finance income and costs	(304)	(2,072)
Total	**1,659,220**	**1,753,462**

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts held by private customers. The total includes the impact of the interest rate hedge described in section A5.

Remuneration of postal current account deposits represents accrued interest for the year on amounts deposited by public sector entities and, to a lesser extent, returns on amounts deposited in the so-called Buffer account with the MEF.

Net remuneration of own liquidity on postal current accounts relates to net earnings from own cash and cash equivalents and is shown separately in finance income, unlike income from the investment of third-party deposits by Bancoposta.

- Fees for the collection of postal savings deposits relate to remuneration for the provision of Interest-bearing Postal Certificates and redemption of and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.
- Other revenue from current account services primarily relates to charges on current accounts, amounting to €218,507 thousand, fees on amounts collected and on statements of account sent to customers, amounting to €112,512 thousand, annual fees on debit cards, amounting to €31,978 thousand, and related transactions, amounting to €65,665 thousand.
- Revenue from insurance brokerage derives from fees receivable from the subsidiaries, Poste Vita and Poste Assicura, in return for the sale of insurance policies.
- Income from delegated services primarily regards amounts received by the Company for the payment of pensions and vouchers issued by INPS (€69,089 thousand), and for the provision of treasury services on the basis of the agreement with the MEF (€56,590 thousand).
- Revenue from the arrangement of loan products relates to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.
- Other products and services mainly reflect fees deriving from the processing of tax payment forms (F24) (€91,997 thousand).

Other sales of goods and services

This relates to income from ordinary activities that is not directly attributable to the specific Postal services and Bancoposta segments. The main components are: fees received for collecting applications for residence permits, totalling €31,128 thousand, income from call centre services, amounting to €3,302 thousand, and income from the provision of ancillary franking and packaging services, totalling €770 thousand.

C2 - OTHER INCOME FROM FINANCIAL ACTIVITIES

tab. C2 - Other income from financial activities

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from financial instruments at fair value through profit or loss	25	9,469
Realised gains	25	9,469
Income from held-to-maturity securities	-	1,186
Realised gains	-	1,186
Income from available-for-sale financial assets	385,524	291,808
Realised gains	385,524	291,808
Income from cash flow hedges	202	848
Fair value gains	202	848
Income from fair value hedges	194	1,848
Fair value gains	194	1,848
Foreign exchange gains	2,560	1,963
Unrealised gains	670	73
Realised gains	1,890	1,890
Other income	466	383
Total	**388,971**	**307,505**

C3 - OTHER OPERATING INCOME

This item regards the following:

tab. C3 - Other operating income

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Dividends from subsidiaries	201,250	-
Increases to estimates of previous years	39,387	69,078
Recoveries of contract expenses and other recoveries	19,606	14,982
Lease rentals	15,346	13,468
Government grants	12,085	8,023
Recovery of cost of seconded staff	2,449	2,286
Gains on disposals	910	1,659
Other income	15,720	37,563
Total	**306,753**	**147,059**

Dividends from subsidiaries

tab. C3.1 - Dividends from subsidiaries

Company	For the year ended 31 December 2014	For the year ended 31 December 2013
Poste Vita SpA	80,000	-
BancoPosta Fondi SGR SpA	50,000	-
EGI SpA	41,250	-
PosteMobile SpA	30,000	-
Total	**201,250**	**-**

Lease rentals

tab. C3.2 - Lease rentals

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Rental income from investment property	1,954	2,076
Residential properties	1,954	2,076
Rental income on commercial property	8,917	7,859
Intercompany rentals	4,682	3,858
Antenna sites	1,411	1,151
Other rental income	2,824	2,850
Recovery of expenses, transaction costs and other income[1]	4,475	3,533
Total	**15,346**	**13,468**

(1) This item primarily regards the recovery of expenses incurred directly by Poste Italiane SpA and passed on to tenants. This category does not include extraordinary maintenance costs.

Under the relevant lease agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes. No significant extraordinary maintenance costs were transferred to tenants via increases in rents.

Gains on disposals

tab. C3.3 - Gains on disposals

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Gains on disposal of property and land used in operations	195	206
Gains on disposal of investment property	647	1,348
Gains on disposal of other operating assets	68	105
Total	**910**	**1,659**

C4 - COST OF GOODS AND SERVICES

This item breaks down as follows:

tab. C4 - Cost of goods and services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Services	1,366,739	1,377,095
Lease expense	310,816	306,876
Raw, ancillary and consumable materials and goods for resale	121,411	116,013
Interest expense	122,451	224,389
Total	**1,921,417**	**2,024,373**

Cost of services

tab. C4.1 - Cost of services

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Transport of mail, parcels and forms	221,217	233,331
Routine maintenance and technical assistance	182,333	180,852
Outsourcing fees and external service charges	155,410	136,978
Personnel services	151,797	160,707
Energy and water	128,813	131,784
Transport of cash	91,508	87,689
Telecommunications and data transmission	81,775	78,987
Mail, telegraph and telex	70,051	68,763
Cleaning,waste disposal and security	66,132	65,502
Credit and debit card fees and charges	64,983	57,735
Printing and enveloping services	60,028	73,861
Advertising and promotions	36,362	28,764
Consultants' fees and legal expenses	19,009	19,800
Automated services from the Department of Land Transportation	15,563	28,667
Insurance premiums	11,515	12,854
Agent commissions and other	8,590	8,906
Securities custody and management fees	1,506	1,718
Remuneration of Statutory Auditors	147	197
Total	**1,366,739**	**1,377,095**

Details of the remuneration paid to the Statutory Auditors are provided below:

tab. C4.1.1 - Remuneration of Statutory Auditors

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration	145	149
Expenses	2	48
Total	**147**	**197**

Lease expense

Lease expense breaks down as follows:

tab. C4.2 - Lease expense

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Property rentals	168,905	173,246
Lease rentals	160,269	164,380
Ancillary costs	8,636	8,866
Vehicle leases	82,469	77,218
Equipment hire and software licenses	55,830	52,205
Other lease expense	3,612	4,207
Total	**310,816**	**306,876**

Real estate leases relate almost entirely to the buildings from which the Company operates (post offices, Delivery Logistics Centres and Sorting Centres). Under the relevant lease agreements, rents are increased annually on the basis of the price index published by the *Istituto Nazionale di Statistica* (*ISTAT*, the Italian Office for National Statistics). Lease terms are generally six years, renewable for a further six. Renewal is assured from the clause stating that the lessor "waives the option of refusing renewal on expiry of the first term", by which the lessor, once the agreement has been signed, cannot refuse to renew the lease, except in cases of force majeure. Poste Italiane SpA has the right to withdraw from the contract at any time, giving six months' notice, in accordance with the standard lease contract.

Raw, ancillary and consumable materials and goods for resale

This item breaks down as follows:

tab. C4.3 - Raw, ancillary and consumable materials and goods for resale

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Fuels and lubricants	52,771	55,029
Stationery and printed matter	25,942	26,635
Printing of postage and revenue stamps	9,021	12,285
Consumables and goods for resale	33,677	22,064
Total	**121,411**	**116,013**

Interest expense

This item refers to the following:

tab. C4.4 - Interest expense

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Interest on customers' deposits	93,765	182,324
Interest expense on repurchase agreements	28,642	42,065
Interest paid to MEF	50	-
Net remuneration of own liquidity recognised in finance income and costs	(6)	-
Total	**122,451**	**224,389**

In the latter part of 2014, returns on the Company's deposits with the MEF were negative. Consequently, for the year under review total interest expense in relation to deposits with the MEF amounts to €50 thousand. Of this amount, €6 thousand, relating to cash and cash equivalents, has been recognised in finance costs.

C5 - OTHER EXPENSES FROM FINANCIAL ACTIVITIES

Other expenses relating to BancoPosta RFC's operations consist of the following:

tab. C5 - Other expenses from financial activities

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Expenses from financial instruments at fair value through profit or loss	23	218
Realised losses	23	218
Expenses from held-to-maturity financial instruments	-	182
Realised losses	-	182
Expenses from available-for-sale financial instruments	4,036	6,193
Realised losses	4,036	6,193
Expenses from cash flow hedges	-	1
Fair value losses	-	1
Expenses from fair value hedges	1,424	16
Fair value losses	1,424	16
Foreign exchange losses	247	677
Unrealised losses	5	316
Realised losses	242	361
Other expenses	36	6
Total	**5,766**	**7,293**

C6 - PERSONNEL EXPENSES

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses, determined by the relevant chargebacks, is posted to other operating income. Personnel expenses break down as follows:

tab. C6 - Personnel expenses

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and salaries		4,185,629	4,249,891
Social security contributions		1,177,616	1,196,379
Provisions for employee termination benefits: supplementary pension funds and INPS		260,233	261,568
Agency staff		4,010	4,398
Remuneration and expenses paid to Directors		2,575	2,443
Redundancy payments		150,792	52,816
Net provisions (reversals) for disputes with staff	[tab. B4]	(6,421)	(46,949)
Provisions for restructuring charges	[tab. B4]	256,500	114,000
Other staff costs/(cost recoveries)		(59,027)	(59,198)
Total expenses		**5,971,907**	**5,775,348**
Income from fixed-term contract settlements and settlements with agency staff		-	(20,283)
Total		**5,971,907**	**5,755,065**

Details of the remuneration and expenses paid to Directors are provided below:

tab. C6.1 - Remuneration and expenses paid to Directors

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration	2,519	2,403
Expenses	56	40
Total	**2,575**	**2,443**

Net provisions for disputes with staff and provisions for restructuring charges are described in section B4.

Cost recoveries primarily regard revised estimates for previous years.

The following table shows the Company's average and year-end headcounts by category:

tab. C6.2 - Workforce data

Permanent workforce	Average workforce		Year-end workforce	
	2014	2013	At 31 December 2014	At 31 December 2013
Executives	597	595	587	596
Middle managers (A1)	6,422	6,068	6,399	6,325
Middle managers (A2)	8,151	8,102	8,130	8,091
Grades B, C, D	120,729	121,406	119,105	120,297
Grades E, F	2,101	3,262	1,576	2,674
Total permanent workforce(*)	**138,000**	**139,433**	**135,797**	**137,983**

(*) Figures expressed in full-time equivalent terms

Taking account of staff on flexible contracts, the total average number of full-time equivalent staff in 2014 is 140,060 (in 2013: 140,977).

C7 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

This item breaks down as follows:

tab. C7 - Depreciation, amortisation and impairments

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Property, plant and equipment	324,055	334,361
Properties used in operations	104,009	101,418
Plant and machinery	98,178	105,634
Industrial and commercial equipment	10,754	11,503
Leasehold improvements	28,941	31,958
Other assets	82,173	83,848
Impairments/recoveries/adjustments of property, plant and equipment[1]	47,175	19,324
Depreciation of investment property	4,836	4,837
Impairment/recoveries/adjustments of investment property	(401)	(604)
Amortisation and impairments of intangible assets	202,840	143,217
Industrial patents and intellectual property rights	202,838	143,214
Concessions, licenses, trademarks and similar rights	2	3
Total	**578,505**	**501,135**

(1) See note A.1.

C8 - OTHER OPERATING COSTS

Other operating costs break down as follows:

tab. C8 - Other operating costs

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Net provisions and losses on doubtful debts (uses of provisions)		71,131	6,407
Provisions for receivables due from customers	[tab. A7.2]	9,951	22,198
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.5]	57,179	(11,894)
Provisions (reversal of provisions) for sundry receivables	[tab. A8.3]	4,001	(3,900)
Losses on receivables		-	3
Operational risk events		28,658	30,583
Thefts during the year	[tab. A5.1.1 b]	5,856	6,265
Reversal of BancoPosta assets, net of recoveries		2,181	3,111
Other operating losses of BancoPosta		20,621	21,207
Net provisions for risks and charges made/(released)		84,183	46,323
for disputes with third parties	[tab. B4]	39,052	(8,179)
for non-recurring charges incurred by BancoPosta	[tab. B4]	28,430	60,249
for other risks and charges	[tab. B4]	16,701	(5,747)
Losses[1]		3,150	2,173
Other taxes and duties		59,809	61,544
Municipal property tax		27,668	27,173
Urban waste tax		20,714	21,564
Other		12,647	12,807
Net provisions for tax and social security liabilities made/(released)	[tab. B4]	(1,220)	-
Revised estimates and assessments for previous years		19,762	24,167
Impairments of investments	[tab. A4.1]	25,065	27,728
Other recurring expenses		22,631	33,562
Total		**314,389**	**232,487**

1) For the purposes of reconciliation with the statement of cash flows, for 2014 this item amounts to €2,240 thousand, net of capital gains of €910 thousand. For 2013, this item amounted to €1,659 thousand, net of capital gains of €514 thousand.

C9 - FINANCE INCOME/COSTS

Finance income

tab C9.1 - Finance income

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from subsidiaries[1]		24,500	24,625
Interest on loans		21,636	20,920
Interest on intercompany current accounts		2,864	3,705
Income from available-for-sale financial assets		12,426	12,888
Interest on fixed-income instruments[1]		20,371	21,008
Accrued differentials on fair value hedges[1]		(8,349)	(8,218)
Dividends from other investments		404	98
Other finance income [1]		31,084	98,549
Interest from the MEF		-	9,243
Remuneration of Poste Italiane liquidity	[tab. C1.2.1]	304	2,072
Finance income on discounting receivables [2]		19,744	27,582
Overdue interest		7,692	7,110
Impairment of amounts due as overdue interest		(7,529)	(7,058)
Interest on IRES refund		10,487	57,902
Other		386	1,698
Foreign exchange gains		2,967	3,063
Total		**70,977**	**139,125**

(1) For the purposes of reconciliation with the statement of cash flows, for 2014 these items total €67,606 thousand (€135,964 thousand in 2013).

(2) Finance income on discounted receivables includes: €4,975 thousand in interest accrued during the year on the amount due from the MEF, €5,613 thousand in interest on amounts due for the publisher tariff subsidies and €9,156 thousand in interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012 and 2013.

Finance costs

tab. C9.2 - Finance costs

Item	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Finance costs on financial liabilities		55,641	40,233
on bonds		27,079	13,937
on loans from Cassa Depositi e Prestiti		4,553	8,705
on financial institutions borrowings		12,665	13,014
on derivative financial instruments		6,578	337
paid to MEF		45	70
on amounts payable to subsidiaries		4,721	4,170
Sundry finance costs on financial assets[1]		75,000	-
Impairment losses on available-for-sale financial assets	[tab. A6.3]	75,000	-
Finance costs on provisions for employee termination benefits	[tab. B5]	38,257	41,677
Finance costs on provisions for risks	[tab. B4]	1,692	2,737
Interest expense on liquidity from Poste Italiane	[tab. C4.4]	6	-
Other finance costs		3,832	5,285
Foreign exchange losses [1]		4,197	2,711
Total		**178,625**	**92,643**

(1) For the purposes of reconciliation with the statement of cash flows, for 2014 finance costs, after foreign exchange losses and sundry finance costs on available-for-sale financial assets, amount to €99,428 thousand (€89,932 thousand in 2013).

C10 - INCOME TAX EXPENSE

tab. C10 - Income tax expense

Item	For the year ended 31 December 2014			For the year ended 31 December 2013		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	92,807	200,221	293,028	170,831	233,061	403,892
Deferred tax income	(70,696)	(1,744)	(72,440)	76,065	537	76,602
Deferred tax expense	(4,496)	-	(4,496)	(6,997)	(6)	(7,003)
Total	**17,615**	**198,477**	**216,092**	**239,899**	**233,592**	**473,491**
Income tax for previous years following change in legislation	**-**	**-**	**-**	**(217,758)**	**-**	**(217,758)**

The tax rate for 2014 is 79.16% and consists of:

tab. C10.1 - Reconciliation between the theoretical IRES tax rate and the effective IRES tax rate

Item	For the year ended 31 December 2014		For the year ended 31 December 2013	
	IRES	% rate	IRES	% rate
Profit before tax	*272,984*		*963,821*	
Theoretical tax charge	75,071	27.5%	265,051	27.5%
Effects of increases/(decreases) on theoretical tax charge				
Adjustments to investments	6,893	2.53%	7,625	0.79%
Adjustments to available-for-sale financial assets	20,625	7.56%	-	-
Dividends from investee companies	(52,577)	-19.26%	-	-
Non-deductible contingent liabilities	6,756	2.47%	6,465	0.67%
Non-deductible taxes	6,190	2.27%	7,472	0.78%
Net provisions for risks and charges and impairments of receivables	14,570	5.34%	6,013	0.62%
Taxation for previous years	(11,250)	-4.12%	(5,241)	-0.54%
Deduction from IRES of IRAP on personnel expenses	(53,001)	-19.42%	(50,840)	-5.27%
Other	4,338	1.59%	3,354	0.35%
Effective tax charge	**17,615**	**6.45%**	**239,899**	**24.89%**
Refund of IRES for previous years following change in legislation	**-**	**-**	**(217,758)**	**-22.59%**

tab. C10.2 - Reconciliation between the theoretical IRAP tax rate and the effective IRAP tax rate

Item	Esercizio 2014		Esercizio 2013	
	IRAP	% rate	IRAP	% rate
Profit before tax	*272,984*		*963,821*	
Theoretical tax charge	12,312	4.51%	43,565	4.52%
Effect of increases/(decreases)on theoretical tax charge				
Non-deductible personnel expenses	183,582	67.25%	188,128	19.52%
Dividends from investee companies	(9,076)	-3.32%	-	-
Adjustments to available-for-sale financial assets	3,383	1.24%	-	-
Net provisions for risks and charges and impairments of receivables	5,612	2.06%	(2,251)	-0.23%
Non-deductible contingent liabilities	1,129	0.41%	1,091	0.11%
Finance income and costs	1,133	0.42%	(2,421)	-0.25%
Non-deductible taxes	1,248	0.46%	1,228	0.13%
Taxation for previous years	(2,815)	-1.03%	2,137	0.22%
Other	1,969	0.72%	2,115	0.22%
Effective tax charge	**198,477**	**72.71%**	**233,592**	**24.24%**

Current tax assets and liabilities

tab. C10.3 - Movements in current tax assets/(liabilities)

Item	Current taxes for the year ended 31 December 2014			Current taxes for the year ended 31 December 2013		
	IRES	IRAP		IRES	IRAP	
	Assets/ (Liabilities)	Assets/ (Liabilities)	Total	Assets/ (Liabilities)	Assets/ (Liabilities)	Total
Balance at 1 January	**604,253**	**11,043**	**615,296**	**432,831**	**63,922**	**496,753**
Payments of	198,576	217,849	416,425	319,322	180,625	499,947
prepayments for the current year	198,576	215,231	413,807	319,322	180,625	499,947
balance payable for the previous year	-	2,618	2,618	-	-	-
Provisions to profit or loss for	(92,807)	(200,221)	(293,028)	(170,831)	(233,061)	(403,892)
current tax expense	(92,807)	(200,221)	(293,028)	(184,727)	(233,243)	(417,970)
realignment	-	-	-	13,896	182	14,078
Refund of IRES for previous years following change in legislation	-	-	-	217,758	-	217,758
Provisions to equity	13,258	-	13,258	(56,056)	-	(56,056)
Tax consolidation	(153,443)	-	(153,443)	(146,247)	-	(146,247)
Other	5,358 (*)	-	5,358	7,476	(443)	7,033
Balance at 31 December	**575,195**	**28,671**	**603,866**	**604,253**	**11,043**	**615,296**
of which:						
Current tax assets	575,195	28,671	**603,866**	604,253	13,661	**617,914**
Current tax liabilities	-	-	**-**	-	(2,618)	**(2,618)**
of which attributable to BancoPosta RFC						
Current tax assets	12,454	6,121	**18,575**	12,454	-	**12,454**
Current tax liabilities	(73,188)	-	**(73,188)**	(53,771)	(7,097)	**(60,868)**

(*): Primarily due to tax credits driving from withholding tax paid on fees.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

Current tax assets of €603,866 thousand at 31 December 2014 include:

- €494,296 thousand (including €6,239 thousand attributable to subsidiaries) in tax credits, recognised in 2012 and 2013, in relation to the IRES refund arising from the overpayment of IRAP on non-deductible personnel expenses under Law Decree 201/2011 in the years from 2004 to 2011; this tax credit accrued interest of €10,487 thousand in 2014, which has been recognised in "Finance income" (tab. C9.1) and "Other receivables and assets" (tab. A.8);
- €71,498 thousand representing the tax credit resulting from the balance of IRES and IRAP prepayments and IRES withholding tax incurred less provisions for IRES and IRAP expense for the year;
- €37,702 thousand due to the payment of increased tax expense as a result of the non-deductibility of 10% of IRAP between 2004 and 2007. A claim for a rebate of this amount was filed in previous years.

Deferred tax assets and liabilities

The following table shows deferred tax assets and liabilities:

tab. C10.4 - Deferred taxes

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Deferred tax assets	583,426	554,565
Deferred tax liabilities	(858,202)	(387,502)
Total	**(274,776)**	**167,063**
of which attributable to BancoPosta RFC		
Deferred tax assets	211,419	258,714
Deferred tax liabilities	(850,562)	(378,186)

The nominal tax rates are 27.5% for IRES and 3.90% for IRAP (+/- 0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit). The Company's average statutory rate for IRAP is 4.51%.

Movements in deferred tax assets and liabilities are shown below:

tab. C10.5 - Movements in deferred tax assets and liabilities

Item	Note	2014	2013
Balance at 1 January		**167,063**	**475,635**
Deferred tax income/(expenses) recognised in profit or loss		76,936	(69,599)
Deferred tax income/(expenses) recognised in equity	[tab. C10.8]	(518,775)	(238,973)
Balance at 31 December		**(274,776)**	**167,063**

The following table shows a breakdown of movements in deferred tax assets and liabilities:

tab. C10.6 - Movements in deferred tax assets

Item	Investment property	Financial assets and liabilities	Contra asset accounts	Provisions for risks and charges	Trade and other receivables	Personnel expenses	Present value of employee termination benefits	Other	Total
Balance at 1 January 2013	**13,750**	**374,588**	**80,021**	**296,574**	**5,556**	**2,297**	**-**	**28,072**	**800,858**
Income/(Expenses) recognised in profit or loss	944	-	(4,232)	(63,460)	-	-	-	4,346	(62,402)
Income/(Expenses) recognised in profit or loss on realignment	-	(5,952)	(28)	(383)	(5,541)	(2,296)	-	-	(14,200)
Income/(Expenses) recognised in equity	-	(204,116)	-	-	-	-	-	34,425	(169,691)
Balance at 31 December 2013	**14,694**	**164,520**	**75,761**	**232,731**	**15**	**1**	**-**	**66,843**	**554,565**
Income/(Expenses) recognised in profit or loss	1,164	-	35,437	33,821	-	-	-	2,018	72,440
Income/(Expenses) recognised in equity	-	(52,081)	-	-	-	-	33,741	(25,239)	(43,579)
Balance at 31 December 2014	**15,858**	**112,439**	**111,198**	**266,552**	**15**	**1**	**33,741**	**43,622**	**583,426**

tab. C10.7 - Movements in deferred tax liabilities

Item	Financial assets and liabilities	PPE	Deferred gains	Present value of employee termination benefits	Other	Total
Balance at 1 January 2013	**311,142**	**747**	**13,334**	**-**	**-**	**325,223**
Expenses/(Income) recognised in profit and loss	-	735	(7,616)	-	-	(6,881)
Expenses/(Income) recognised in profit and loss on realignment	(122)	-	-	-	-	(122)
Expenses/(Income) recognised in equity	69,282	-	-	-	-	69,282
Balance at 31 December 2013	**380,302**	**1,482**	**5,718**	**-**	**-**	**387,502**
Expenses/(Income) recognised in profit and loss	520	28	(5,044)	-	-	(4,496)
Expenses/(Income) recognised in equity	475,196	-	-			475,196
Balance at 31 December 2014	**856,018**	**1,510**	**674**	**-**	**-**	**858,202**

The increase in deferred tax liabilities related to financial assets and liabilities (€856,018 thousand) is due mainly to movements in the fair value reserve, as described in section B3.

At 31 December 2014, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C10.8 - Deferred tax assets and liabilities recognised in equity

	Increases/(decreases) in equity	
Item	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Fair value reserve for available-for-sale financial assets	(496,101)	(222,851)
Cash flow hedge reserve for hedging derivatives	(31,176)	(50,547)
Actuarial gains/(losses) on employee termination benefits	33,741	-
Retained eanings due to shareholder transactions	(25,239)	34,425
Total	**(518,775)**	**(238,973)**

Income and expense generated by deferred taxation recognised in equity consists of €527,277 thousand in tax on the changes in the reserves shown in tab. B3 and €25,239 thousand in tax on the shareholder transactions described in section B2, less deferred tax assets of €33,741 thousand arising from the portion of employee termination benefits that, based on actuarial calculations, exceeds the amount calculated in accordance with article 2120 of the Italian Civil Code (tab. B5).

In addition, a €13,258 thousand reduction in current tax expense, calculated on the deductible amount of unrealised actuarial losses on the employee termination benefits, has been recognised directly in equity. Therefore, during the year under review, equity decreased by €505,517 thousand as a result of income tax expense.

4.4 RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and results of operations

The impact of related party transactions on the financial position and results of operations is shown below.

tab. 4.4.1 - Impact of related party transactions on the financial position at 31 December 2014

	Balance at 31 December 2014								
Name	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	200,057	2,798	2	-	5,520	-	9	-
BancoPosta Fondi SpA SGR	-	-	10,060	-	-	13,866	2,636	-	-
CLP ScpA	-	-	13,536	3	-	6,287	11	65,438	-
Consorzio PosteMotori	-	-	15,619	26	-	19,906	-	361	-
Consorzio Servizi Telef. Mobile ScpA	-	-	273	-	-	121	-	46,948	-
EGI SpA	-	-	1,286	137	-	14,928	135,612	254	42
Mistral Air Srl	-	13,880	2,163	-	-	601	-	520	3,208
PatentiViaPoste ScpA	-	418	3,791	-	-	5,032	-	872	-
Poste Energia SpA	-	1,492	205	-	-	681	-	17,769	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-	792
Poste Tributi ScpA	-	4,038	6,111	-	-	2,486	-	2,666	-
PosteTutela SpA	-	-	230	-	-	7,010	10,251	41,282	-
Poste Vita SpA	-	544,004	81,801	291	-	63,980	702,879	4	1,525
Postecom SpA	-	-	8,615	863	-	8,746	15,004	35,255	-
Postel SpA	-	44,743	77,558	-	-	7,124	-	1,745	1,657
PosteMobile SpA	-	-	17,828	375	-	14,289	20,991	3,228	1
PosteShop SpA	-	7,382	945	120	-	1,283	-	876	-
SDA Express Courier SpA	-	100,528	5,221	-	-	3,719	-	2,246	11,594
Indirect subsidiaries									
Address Software Srl	-	-	2	-	-	4	-	-	-
Chronopost International Italia SpA	-	-	-	-	-	-	-	-	-
Docutel SpA	-	-	-	-	-	-	-	-	-
Italia Logistica Srl	-	-	4,019	-	-	5	-	178	-
Kipoint SpA	-	-	2	-	-	61	-	204	-
Poste Assicura SpA	-	-	6,619	-	-	2,083	-	-	76
PostelPrint SpA	-	-	233	-	-	4,748	-	54,573	1,100
Uptime SpA (1)	-	-	95	-	-	-	-	-	-
Associates									
Docugest SpA	-	-	-	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	14	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	6,130,103	116,789	1,387,622	547,521	933,566	-	-	95,101	12,140
Cassa Depositi e Prestiti Group	-	-	901,140	-	-	408,639	3,382	8,017	-
Enel Group	-	-	45,379	-	-	-	-	7,839	-
Eni Group	-	-	17,265	-	-	-	-	12,070	-
Equitalia Group	-	-	50,811	-	-	-	-	5,552	-
Finmeccanica Group	-	-	5	-	-	-	-	27,538	-
Other related parties external to the Group	-	-	2,547	-	-	-	-	12,077	59,477
Provisions for doubtful debts from external related parties	-	-	(170,217)	(9,594)	-	-	-	-	-
Total	**6,130,103**	**1,033,331**	**2,493,562**	**539,744**	**933,566**	**591,133**	**890,766**	**442,623**	**91,612**

(1) Joint venture.

tab. 4.4.2 - Impact of related party transactions on the financial position at 31 December 2013

	Balance at 31 December 2013								
Name	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	250,074	1,712	-	-	3,730	-	-	-
BancoPosta Fondi SpA SGR	-	-	4,451	-	-	841	15,998	-	-
CLP ScpA	-	-	18,559	3	-	908	11	67,127	-
Consorzio Servizi Telef. Mobile ScpA	-	-	1,753	-	-	461	-	38,774	-
EGI SpA	-	-	1,057	137	-	10,952	216,046	1,363	40
Mistral Air Srl	-	12,819	1,510	-	-	557	-	478	1,235
PatentiViaPoste ScpA	-	99	1,060	-	-	1,961	-	278	-
Poste Energia SpA	-	1,032	204	-	-	71	-	17,577	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-	7
Poste Tributi ScpA	-	5,483	4,060	2	-	2,026	-	1,775	-
PosteTutela SpA	-	-	236	2	-	5,122	7,437	39,741	-
Poste Vita SpA	-	544,180	88,024	-	-	35,191	142	28	157,259
Postecom SpA	-	-	4,498	663	-	8,313	958	69,236	-
Postel SpA	-	61,055	78,529	-	-	1,253	-	1,561	1,628
PosteMobile SpA	-	-	38,398	335	-	19,408	65,453	4,310	-
PosteShop SpA	-	4,688	1,223	100	-	2,739	-	742	-
SDA Express Courier SpA	-	103,589	3,672	-	-	3,481	-	1,070	26,802
Indirect subsidiaries									
Address Software Srl	-	-	4	-	-	4	-	-	-
Italia Logistica Srl	-	-	2,823	-	-	5	-	188	-
Kipoint SpA	-	-	12	-	-	189	-	138	-
Poste Assicura SpA	-	-	4,054	-	-	2,377	-	-	76
PostelPrint SpA	-	-	440	-	-	2,435	-	46,925	1,081
Uptime SpA [1]	-	-	80	-	-	-	-	-	-
Associates									
Docugest SpA	-	-	4,119	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	6,086,122	224,887	1,161,820	13,688	529,414	-	-	101,241	12,140
Cassa Depositi e Prestiti Group	-	-	893,441	-	-	1,729,856	116,975	-	-
Enel Group	-	-	65,379	-	-	-	-	8,496	-
Eni Group	-	-	1,893	-	-	-	-	14,977	-
Equitalia Group	-	-	26,311	-	-	-	-	1,622	-
Finmeccanica Group	-	-	16	-	-	-	-	27,157	-
Other related parties external to the Group	-	-	2,925	-	-	-	-	14,472	58,034
Provisions for doubtful debts from external related parties	-	-	(54,870)	(8,869)	-	-	-	-	-
Total	**6,086,122**	**1,207,906**	**2,357,393**	**6,061**	**529,414**	**1,831,880**	**423,020**	**459,276**	**258,302**

[1] Joint venture.

At 31 December 2014, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €65,460 thousand.

tab. 4.4.3 - Impact of related party transactions on the results of operations

	For the year ended 31 December 2014								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
Name	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Finance costs
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	1,781	30	3,207	-	-	11	-	12	-
BancoPosta Fondi SpA SGR	19,438	50,396	-	-	-	14	-	-	53
CLP ScpA	7,523	457	-	3,901	234	163,643	-	1,122	-
Consorzio PosteMotori	15,619	-	-	-	-	9	-	361	-
Consorzio Servizi Telef. Mobile ScpA	23	156	-	909	56	92,898	-	122	-
EGI SpA	180	41,406	-	-	-	7,103	17	472	1,508
Mistral Air Srl	303	289	179	-	-	416	-	-	-
PatentiViaPoste ScpA	20,099	153	3	-	-	15	-	1,024	-
Poste Energia SpA	136	254	45	-	-	105,198	-	-	1
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA	4,595	302	54	-	-	5	-	2,628	-
PosteTutela SpA	147	1,411	-	-	-	100,894	-	1	19
Poste Vita SpA	359,337	80,220	18,402	-	-	868	-	26	2,879
Postecom SpA	371	2,836	15	515	11,022	66,227	194	-	5
Postel SpA	10,803	1,237	838	-	-	28	241	1	-
PosteMobile SpA	15,006	31,526	-	392	-	4,542	406	31	257
PosteShop SpA	1,085	316	94	-	-	55	2	82	-
SDA Express Courier SpA	1,622	753	1,665	-	-	76	2,107	2	-
Indirect subsidiaries									
Address Software Srl	27	-	-	-	-	-	-	-	-
Italia Logistica Srl	19	1,212	-	-	-	1	-	222	-
Kipoint SpA	8	-	-	-	-	303	-	-	-
Poste Assicura SpA	18,625	45	-	-	-	10	-	-	-
PostelPrint SpA	362	93	-	-	4,634	116,005	-	265	-
Uptime SpA [1]	15	-	-	-	-	-	-	-	-
Associates									
Telma-Sapienza Scarl	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	534,903	1,177	4,975	-	-	1,348	-	87,834	45
Cassa Depositi e Prestiti Group	1,640,718	3	-	-	4	23,167	-	-	4,553
Enel Group	99,053	388	-	46	-	1,333	-	38	-
Eni Group	30,624	37	-	-	-	30,512	-	(1,524)	-
Equitalia Group	60,704	313	-	-	-	3,670	-	-	-
Finmeccanica Group	57	-	-	26	7,018	33,508	-	-	-
Other related parties external to the Group	18,088	3,174	-	-	13	15,468	39,002	2	-
Total	**2,861,271**	**218,184**	**29,477**	**5,789**	**22,981**	**767,327**	**41,969**	**92,721**	**9,320**

[1] Joint venture.

tab. 4.4.4 - Impact of related party transactions on the results of operations

	For the year ended 31 December 2013								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
Name	**Revenue from sales and services**	**Other operating income**	**Finance income**	**Property, plant and equipment**	**Intangible assets**	**Cost of goods and services**	**Personnel expenses**	**Other operating costs**	**Finance costs**
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	1,637	120	2,203	-	-	33	-	-	-
BancoPosta Fondi SpA SGR	17,991	290	-	-	-	15	-	-	42
CLP ScpA	4,389	992	-	4,908	114	172,558	-	1,955	-
Consorzio Servizi Telef. Mobile ScpA	19	93	-	26	365	78,986	-	143	-
EGI SpA	166	133	-	-	-	6,574	20	52	3,334
Mistral Air Srl	295	21	244	-	-	375	-	-	-
PatentiViaPoste ScpA	1,057	-	-	-	-	-	-	278	-
Poste Energia SpA	110	208	8	-	-	104,520	-	-	9
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA	5,582	334	69	-	-	9	-	1,743	-
PosteTutela SpA	175	1,158	-	-	-	96,921	-	1	38
Poste Vita SpA	328,430	328	18,455	-	-	388	-	-	142
Postecom SpA	281	3,604	21	1,849	37,133	77,741	479	-	5
Postel SpA	12,682	1,174	1,565	-	-	16	550	235	-
PosteMobile SpA	19,372	696	-	-	46	9,899	65	75	599
PosteShop SpA	1,436	105	51	-	-	30	141	679	-
SDA Express Courier SpA	1,547	412	2,010	-	-	156	970	437	-
Indirect subsidiaries									
Address Software Srl	4	-	-	-	-	-	-	-	-
Docutel SpA	-	-	-	-	-	-	-	-	-
Italia Logistica Srl	26	701	-	-	-	10	-	-	-
Kipoint SpA	12	-	-	-	-	213	-	4	-
Poste Assicura SpA	13,543	40	-	-	-	115	-	-	-
PostelPrint SpA	386	431	-	-	7,084	123,448	3	380	-
Uptime SpA [1]	15	-	-	-	-	-	-	-	-
Associates									
Docugest SpA	551	-	-	-	-	-	-	9	-
Telma Sapienza Scarl	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	725,022	1,124	18,667	18,000	-	1,075	-	(9,389)	70
Cassa Depositi e Prestiti Group	1,620,568	2	-	-	-	18,643	-	-	8,705
Enel Group	105,398	437	-	45	-	2,266	-	227	-
Eni Group	2,407	363	-	-	-	38,619	-	1,676	-
Equitalia Group	69,153	173	-	-	-	2,683	-	-	-
Finmeccanica Group	57	1	-	1,402	8,801	39,670	-	-	-
Other related parties external to the Group	15,941	3,028	-	-	-	14,660	38,542	200	-
Total	**2,948,252**	**15,968**	**43,293**	**26,230**	**53,543**	**789,623**	**40,770**	**(1,295)**	**12,944**

[1] Joint venture.

At 31 December 2014, total provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €6,305 thousand.

The nature of the Company's principal transactions with related parties external to the Group is summarised below in order of relevance.

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as reimbursement for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, and for collection of tax returns.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services, etc. The costs incurred primarily relate to the supply of gas.
- Amounts received from the Equitalia Group primarily relate to payment for the integrated notification service and for unfranked mail. The costs incurred primarily relate to electronic transmission of tax collection data.
- Amounts received from the Eni Group relate primarily to payment for mail shipments. The costs incurred relate to the supply of fuel for motorcycles and vehicles and the supply of gas.
- Purchases from the Finmeccanica Group primarily relate to the supply, by Selex ES SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting and software maintenance, and the supply of software licences and of hardware.

Key management personnel

Following the changes carried out in 2014, key management personnel consist of Directors of the Company and managers at the first organisational level of Poste Italiane. The related remuneration, gross of expenses and social security contributions, of such key management personnel as definied above and as of the date of the changes, is as follows:

tab. 4.4.5 - Remuneration of key management personnel

Item	For the year ended 31 December 2014	For the year ended 31 December 2013
Remuneration paid in short/medium term	11,918	15,717
Post-employment benefits	147	462
Employment termination benefits (*)	13,867	-
Total	**25,932**	**16,179**

(*)Due also to prior individual agreements.

No loans were granted to key management personnel during 2014 and at 31 December 2014, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with staff pensions funds

Poste Italiane SpA and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's By-laws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. The Fund's Board of Directors takes decisions including: the general criteria for the allocation of risk in terms of investments and investment policies; the choice of fund manager and custodian bank.

4.5 OTHER INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

Analysis of net debt/(funds)

At 31 December 2014, the Company's net debt/(funds) is as follows:

tab. 4.5.1 - Net debt/(funds)

Item	Note	Balance at 31 December 2014	*of which related party transactions*	Balance at 31 December 2013	*of which related party transactions*
Financial liabilities attributable to BancoPosta	[tab. B6]	50,499,158		48,702,438	
Postal current account deposits		40,792,464	*177,419*	41,132,902	*95,998*
Financial institutions borrowings		5,639,168	*408,639*	4,922,980	*1,729,856*
Derivative financial instruments		1,720,212	-	470,973	-
Other financial liabilities		2,347,314	*5,075*	2,175,583	*6,025*
Financial liabilities	[tab. B7]	3,505,463		2,548,264	
Bonds		809,672	-	808,717	-
Loans from Cassa Depositi e Prestiti		3,382	*3,382*	116,976	*116,976*
Financial institutions borrowings		1,742,560	-	1,289,988	-
Derivative financial instruments		58,014	-	25,513	-
Other financial liabilities		891,835	*887,384*	307,070	*306,045*
Financial assets attributable to BancoPosta	[tab. A5]	(50,286,574)		(46,502,542)	
Receivables		(7,330,885)	*(6,130,103)*	(6,828,178)	*(6,086,122)*
Held-to-maturity financial assets		(14,099,685)	-	(15,221,162)	-
Available-for-sale financial assets		(28,807,403)	-	(24,421,115)	-
Derivative financial instruments		(48,601)	-	(32,087)	-
Financial assets	[tab. A6]	(1,751,269)		(2,010,603)	
Loans and receivables		(1,171,930)	*(1,033,331)*	(1,250,206)	*(1,207,906)*
Available-for-sale financial assets		(579,339)	-	(760,397)	-
Net financial liabilities/(assets)		**1,966,778**		**2,737,557**	
Cash and deposits attributable to BancoPosta	[tab. A9]	(2,873,043)	-	(3,079,693)	-
Cash and cash equivalents	[tab. A10]	(985,536)	*(933,566)*	(587,652)	*(529,414)*
Net debt/(funds)		**(1,891,801)**		**(929,788)**	

At 31 December 2014, the fair value reserves related to available-for-sale financial assets amount to €2,307 million (€746 million at 31 December 2013), inclusive of the relevant taxation.

Determination of fair value

The fair value measurement techniques used by the Company are described in note 2.4 – *Determination of fair value*. This section provides additional information regarding determination of the fair value of the financial assets and liabilities recognised at their fair value. Additional information related to financial assets and liabilities recognised at their amortised cost is provided in the respective notes.

tab. 4.5.2 - Fair value hierarchy

Item	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta	28,601,539	254,348	117	28,856,004	24,254,626	198,459	117	24,453,202
Available-for-sale financial assets	28,601,539	205,747	117	28,807,403	24,254,626	166,372	117	24,421,115
Fixed-income instruments	28,601,539	149,434	-	28,750,973	24,254,626	119,077	-	24,373,703
Equity instruments	-	56,313	117	56,430	-	47,295	117	47,412
Held for trading	-	-	-	-	-	-	-	-
Derivative financial instruments	-	48,601	-	48,601	-	32,087	-	32,087
Financial assets	574,839	-	4,500	579,339	680,897	-	79,500	760,397
Available-for-sale financial assets	574,839	-	4,500	579,339	680,897	-	79,500	760,397
Fixed-income instruments	569,227	-	-	569,227	675,895	-	-	675,895
Equity instruments	-	-	4,500	4,500	-	-	79,500	79,500
Other investments	5,612	-	-	5,612	5,002	-	-	5,002
Derivative financial instruments	-	-	-	-	-	-	-	-
Total financial assets at fair value	29,176,378	254,348	4,617	29,435,343	24,935,523	198,459	79,617	25,213,599
Financial liabilities attributable to BancoPosta	-	(1,720,212)	-	(1,720,212)	-	(470,973)	-	(470,973)
Derivative financial instruments	-	(1,720,212)	-	(1,720,212)	-	(470,973)	-	(470,973)
Financial liabilities	-	(58,014)	-	(58,014)	-	(25,513)	-	(25,513)
Derivative financial instruments	-	(58,014)	-	(58,014)	-	(25,513)	-	(25,513)
Total financial liabilities at fair value	-	(1,778,226)	-	(1,778,226)	-	(496,486)	-	(496,486)

There were no transfers of financial instruments measured at fair value between level 1 and level 2 of the hierarchy on a recurring basis in 2014. The decrease in level 3 of the fair value hierarchy reflects the impairment loss of €75,000 thousand on Poste Italiane SpA's investment in Alitalia CAI SpA (now CAI SpA).

Offsetting financial assets and liabilities

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, this section provides details of financial assets and liabilities that are subject to a master netting agreement or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32[74].

In particular, the disclosures in question concern the following positions at 31 December 2014:

- derivative assets and liabilities and related collateral, represented by both cash and government securities;
- repurchase agreements and related collateral, represented by both cash and government securities;

[74] Paragraph 42 of IAS 32 provides that *"A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:*
(c) currently has a legally enforceable right to set off the recognised amounts; and
(d) intends either to settle on a net basis or to realise the asset and settle the liability simultaneously."

tab. 4.5.3 - Financial assets/liabilities offset in the statement of financial position, or subject to a master netting agreement or similar arrangements

Category	Gross amount of financial assets(*) (a)	Gross amount of financial liabilities(*) (b)	Amount of financial assets/(liabilities) offset in the statement of financial position (c)	Net amount of financial assets/(liabilities) (d=a+b+c)	Correlated amounts not offset in the statement of financial position			Net amount of financial assets/(liabilities) at 31 December 2014 (h=d+e+f+g)
					Financial instruments transferred or posted as collateral (e)	Collateral		
						Securities given/(received) as collateral (f)	Cash given/(received) as collateral (g)	
Year ended 31 December 2014								
Financial assets/(liabilities) attributable to BancoPosta								
Derivatives	48,601	(1,720,212)	-	(1,671,611)	-	741,693	885,478	(44,440)
Repurchase agreements	-	(5,639,168)	-	(5,639,168)	5,639,168	-	-	-
Other	-	-	-	-	-	-	-	-
Financial assets/(liabilities)								
Derivatives	-	(58,014)	-	(58,014)	-	-	54,450	(3,564)
Repurchase agreements	-	(564,229)	-	(564,229)	564,229	-	-	-
Other	-	-	-	-	-	-	-	-
Total at 31 December 2014	48,601	(7,981,623)	-	(7,933,022)	6,203,397	741,693	939,928	(48,004)
Year ended 31 December 2013								
Financial assets/(liabilities) attributable to BancoPosta								
Derivatives	32,087	(470,973)	-	(438,886)	-	106,575	329,998	(2,313)
Repurchase agreements	-	(4,922,980)	-	(4,922,980)	4,922,941	-	39	-
Other	-	-	-	-	-	-	-	-
Financial assets/(liabilities)								
Derivatives	-	(25,513)	-	(25,513)	-	-	25,486	(27)
Repurchase agreements	-	(677,102)	-	(677,102)	675,895	-	1,207	-
Other	-	-	-	-	-	-	-	-
Total at 31 December 2013	32,087	(6,096,568)	-	(6,064,481)	5,598,836	106,575	356,730	(2,340)

* The gross amount of financial assets and liabilities includes financial instruments offset in the statement of financial position or subject to a master netting agreement or similar arrangements, regardless of whether they are offset.

Transfer of financial assets that are not derecognised

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement). At 31 December 2014, these assets concern the repurchase agreements entered into with primary financial intermediaries.

Tab 4.5.4 - Transfer of financial assets that are not derecognised

Item	Note	At 31 December 2014			At 31 December 2013		
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta	[A5]						
Held-to-maturity financial assets		5,373,962	5,415,078	6,089,243	5,090,003	5,153,399	5,520,033
Available-for-sale financial assets		-	-	-	139,000	147,697	147,697
Financial liabilities attributable to BancoPosta	[B6]						
Financial liabilities arising from repos		(5,612,832)	(5,639,168)	(5,662,575)	(4,888,929)	(4,922,980)	(4,943,512)
Financial assets	[A6]						
Available-for-sale financial assets		500,000	569,227	569,227	650,000	675,895	675,895
Financial liabilities	[B7]						
Financial liabilities arising from repos		(564,170)	(564,229)	(564,271)	(676,959)	(677,102)	(677,186)
Total		**(303,040)**	**(219,092)**	**431,624**	**313,115**	**376,909**	**722,927**

4.6 OTHER INFORMATION

Postal savings deposits

The following table provides a breakdown of postal savings deposits collected in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

tab. 4.6.1 - Postal savings deposits

Item	At 31 December 2014	At 31 December 2013
Postal Savings Books	114,358,856	106,920,022
Interest-bearing Postal Certificates	211,332,916	211,706,910
Cassa Depositi e Prestiti	139,814,813	137,857,442
MEF	71,518,103	73,849,468
Total	**325,691,772**	**318,626,932**

Commitments

tab. 4.6.2 - Purchase commitments

Item	At 31 December 2014	At 31 December 2013
Property leases	584,754	590,531
Property, plant and equipment	64,880	45,533
Intangible assets	35,541	30,227
Investment property	2	54
Vehicle leases	48,513	122,270
Other contracts	45,434	50,091
Total	**779,124**	**838,706**

Future commitments related to property leases, which may generally be terminated with six months' notice, break down by due date as follows:

tab. 4.6.2 a) - Property lease commitments

Item	At 31 December 2014	At 31 December 2013
Lease rentals due:		
Within 12 months	153,888	160,986
Between 2 and 5 years after end of reporting period	371,493	367,975
After 5 years	59,373	61,570
Total	**584,754**	**590,531**

Guarantees

Unsecured guarantees issued by Poste Italiane SpA are as follows:

tab 4.6.3 - Guarantees

Item	At 31 December 2014	At 31 December 2013
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	136,821	136,043
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	69,137	29,074
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	4,335	4,920
Total	**210,293**	**170,037**

Third-party assets

tab. 4.6.4 - Third-party assets

Item	At 31 December 2014	At 31 December 2013
Bonds subscribed by customers held at third-party banks	7,746,715	11,899,008
Other assets	22,672	26,514
Total	**7,769,387**	**11,925,522**

Assets in the process of allocation

At 31 December 2014, the Company had paid a total of €206,909 thousand in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

Disclosure of fees paid to the independent auditors

In 2009 Poste Italiane SpA voluntarily adopted guidelines governing the procedures for awarding contracts to the Independent Auditors or companies within its network. The guidelines also require the Company to provide a summary of the contracts awarded.

The following table shows fees, broken down by type of service, payable to PricewaterhouseCoopers SpA and companies within its network for 2014 and 2013.

tab. 4.6.5 - Disclosure of fees paid to Independent Auditors

Item	Entity providing the service	Fees (*)	
		For the year ended 31 December 2014	For the year ended 31 December 2013
Audit	PricewaterhouseCoopers SpA	1,010	1,010
	PricewaterhouseCoopers network	-	-
Voluntary audits or audit-related services	PricewaterhouseCoopers SpA	278	274
	PricewaterhouseCoopers network	-	190
Services other than audit	PricewaterhouseCoopers SpA	96	-
	PricewaterhouseCoopers network	174	592
Total		**1,558**	**2,066**

(*) The above amounts do not include incidental expenses and charges.

4.7 EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period are described in the above notes and there are no other significant events occurring after 31 December 2014.

5. RISK MANAGEMENT

Introduction

Responsibility for coordinating and managing the investment strategy and the hedging of capital market risks has been assigned to the Parent Company's Coordination of Investment Management function, which aims to ensure a uniform approach across the Group's various financial entities. Treasury management for the Company and on a centralised basis, definition of the capital structure for Poste Italiane SpA and the Group, and the assessment of funding transactions and extraordinary and subsidised transactions is, on the other hand, the responsibility of Administration, Finance and Control.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- Poste Italiane SpA's financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

  BancoPosta RFC's operations consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds deposited by private account holders in postal current accounts are invested in euro zone government securities[75], whilst deposits by Public Sector entities are deposited with the MEF. The investment profile is based, among other things, on the constant monitoring of habits of current account holders and a use of a leading market operator's statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. The company has also an asset-liability model in place to match the maturities of deposits and loans. The above mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks by foreseeing deviations caused by the need to combine the exigencies of risk management with those of improving returns which are dependent on movements in the market yield curve (see note 4.2 *Information on BancoPosta RFC*). The prudential requirements introduced by the third revision of the Bank of Italy Circular 285/2013 require Bancoposta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). Bancoposta RFC is, therefore, required to establish a system of internal controls in line with the provisions of the 15th revision of Circular 263, which, among other things, requires definition of a Risk Appetite Framework (RAF[76]), the containment of risks within the limits set by the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

  Operations not covered by BancoPosta RFC, primarily relating to management of the Parent Company's own liquidity, are carried out in accordance with investment guidelines approved by the Board of Directors, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. Liquidity is also deposited in postal current accounts, with the resulting deposits

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75 Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government.

76 The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.

being subject to the same requirements applied to the investment of deposits by private current account holders.

- Financial instruments held by the insurance company, Poste Vita SpA, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.
  Traditional life policies, classified under Branch I and V, primarily include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called separately managed accounts). Typically, the Company guarantees a minimum return payable at maturity on such products (at 31 December 2014, this return was on average 1.2%). Gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the portfolio (see note 2.2 in relation to "Insurance contracts").
  The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

  Rather than being revaluated on the basis of the performances of separately managed accounts, certain Branch I and V products entail guaranteed revaluations linked to a specific asset (so-called capitalisation contracts). The assets are comprised of securities issued by Cassa Depositi e Prestiti and government securities. Returns are only indexed for the initial years of a product's term. Subsequent to the second or third year, returns are indexed to that of separately managed accounts. The financial risk of capitalisation products is fully covered by insurance liabilities other than the risk of default by the issuer, which is borne by the Company.

  Index-linked and unit-linked products, relating to Branch III insurance products, regard policies where the premium is invested in structured financial instruments, Italian government securities, warrants and mutual investment funds. For this type of product, issued prior to the introduction of ISVAP Regulation 32 of 11 June 2009, the company does not guarantee capital or a minimum return and, therefore, the associated financial risks are borne almost entirely by the customer. However, in the case of policies issued after the introduction of the regulation, the company assumes sole liability for solvency risk associated with the instruments in which premiums are invested, providing a guaranteed minimum return only when called for by contract. The company continuously monitors changes in the risk profile of individual products, focusing especially on the risk linked to the insolvency of issuers.

  Poste Assicura's investment policies are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors on 19 December 2014. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the non-life business, such analyses do not consider guaranteed minimum returns but, rather, focus on the management of liquidity in order to meet claims.

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems. From an organisational viewpoint, risk management is the responsibility of:

- the Finance, Savings and Investment Committee, which is responsible for establishing policies governing management of the savings of retail customers, as well as strategies to be applied in managing the Group's financial assets. In view of the matters dealt with, the Committee is divided into three sections:
  - Finance, with the role of defining and overseeing the financial strategy;
  - Savings, with responsibility for establishing guidelines to be applied in the development of savings products;
  - Financial investment strategies, with the role of ensuring effective governance and the greatest possible alignment with strategic decisions regarding the allocation and management of financial assets;
- an Investment Committee established at the Group's insurance company, Poste Vita SpA,, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA, BdM-MCC SpA and Poste Vita SpA) that perform Risk Measurement and Control activities, ensuring the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles;
- BancoPosta RFC's Cross-functional Committee, set up under the BancoPosta RFC Regulation, which provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions. The Committee is chaired by the Parent Company's CEO. Other permanent members are the Head of BancoPosta and the heads of the functions within Poste Italiane SpA primarily involved with Bancoposta.

The risk environment is defined on the basis of the framework established by IFRS 7 – "*Financial Instruments: Disclosures*", which distinguishes between four main types of risk (a non-exhaustive classification):

- market risk;
- credit risk;
- liquidity risk;
- cash flow interest rate risk.

Market risk relates to:

- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

Spread risk became a major component of market risk in 2011-2012. Spread risk is the risk of a potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro zone government securities, reflecting the market's perception of the credit rating of sovereign issuers.

Credit risk is the risk of default of one of the counterparties to which there is an exposure.

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may, for example, derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds on excessively onerous terms or, in extreme cases, the inability to borrow on the market.

Cash flow interest rate risk refers to the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. Such risk may arise from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results.

Cash flow inflation risk reflects the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

Price risk

Price risk relates to financial assets that the Group has classified as “Available-for-sale” (AFS) or “Held for trading” and certain derivative financial instruments where changes in value are recognised in profit or loss.

The following sensitivity analysis relates to the principal positions potentially exposed to fluctuations in value, excluding certain minor items not traded on an active market. Financial statement balances at 31 December 2014 have been subjected to a stress test, based on historical volatility during the year, considered to be representative of potential market movements.

The principal financial assets subject to price risk and the results of the analysis carried out as at 31 December 2014 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk

Date of reference of the analysis	Position	Change in value		Effect on liability towards policyholders		Pre-tax profit		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2014 effects									
Available-for-sale financial assets	1,184,406	68,318	(68,318)	54,045	(54,045)	-	-	14,273	(14,273)
Equity instruments	64,345	15,596	(15,596)	1,954	(1,954)	-	-	13,642	(13,642)
Other investments	1,120,061	52,723	(52,723)	52,091	(52,091)	-	-	632	(632)
Financial assets at fair value through profit or loss	4,233,632	66,832	(66,832)	66,732	(66,732)	100	(100)	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Structured bonds (*)	1,816,068	53,449	(53,449)	53,397	(53,397)	52	(52)	-	-
Other investments	2,417,564	13,383	(13,383)	13,335	(13,335)	48	(48)	-	-
Derivative financial instruments	206,373	10,752	(10,752)	10,752	(10,752)	-	-	-	-
Fair value through profit or loss	206,373	10,752	(10,752)	10,752	(10,752)	-	-	-	-
Variability at 31 December 2014	5,624,410	145,902	(145,902)	131,529	(131,529)	100	(100)	14,273	(14,273)
2013 effects									
Available-for-sale financial assets	1,594,493	82,348	(82,348)	73,008	(73,008)	-	-	9,340	(9,340)
Equity instruments	52,580	10,100	(10,100)	1,325	(1,325)	-	-	8,775	(8,775)
Other investments	1,541,913	72,248	(72,248)	71,683	(71,683)	-	-	564	(564)
Financial assets at fair value through profit or loss	3,211,137	122,838	(122,838)	122,647	(122,647)	191	(191)	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Structured bonds (*)	2,481,302	104,414	(104,414)	104,272	(104,272)	142	(142)	-	-
Other investments	729,835	18,424	(18,424)	18,375	(18,375)	49	(49)	-	-
Derivative financial instruments	209,988	42,123	(42,123)	42,123	(42,123)	-	-	-	-
Fair value through profit or loss	209,988	42,123	(42,123)	42,123	(42,123)	-	-	-	-
Variability at 31 December 2013	5,015,618	247,309	(247,309)	237,778	(237,778)	191	(191)	9,340	(9,340)

(*) The reported amount of structured bonds does not include investments in financial instruments issued by Cassa Depositi e Prestiti SpA, for which the price risk is deemed to be irrelevant.

Available-for-sale financial assets mainly refer to the Parent Company’s investments in equity instruments and Poste Vita SpA’s position in other investments, represented by equity mutual investment funds.

At 31 December 2014, equity instruments include:

- Shares held by BancoPosta RFC, totalling €56,313 thousand. These are mainly Class B Mastercard Incorporated shares which, for the purposes of the sensitivity analysis, are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.
- Shares held by Poste Vita SpA in the Branch I separately managed portfolios, totalling €8,032 thousand.

Other investments include:

- Units of mutual investment funds subject to the risk in question, amounting to €1,114,449 thousand and held by Poste Vita SpA, to meet its obligations to policyholders under the separately managed portfolios;
- Units of mutual investment funds held by the Parent Company outside the ring-fence, amounting to €5,612 thousand.

In relation to **financial assets recognised at fair value through profit or loss**, price risk concerns investments held by Poste Vita SpA, totalling €4,233,632 thousand, of which €2,431,241 thousand used to cover Branch III policies, with equity-linked returns, €1,798,231 thousand[77] used to cover Branch I policies and €4,160 thousand in mutual fund units held in the Company's free capital.

Lastly, in relation to **derivative financial instruments,** the price risk relates to warrants held by Poste Vita SpA to cover the benefits associated with the Branch III policies.

Foreign exchange risk

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position considered to be material. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

At 31 December 2014, this item primarily refers to equity instruments held by Poste Italiane SpA denominated in US dollars and Special Drawing Rights.

Poste Italiane Group- Foreign exchange risk/USD

Date of reference of the analysis	Position in USD/000	Position in €000	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ 260-days vol.	- 260-days vol.	+ 260-days vol.	- 260-days vol.	+ 260-days vol.	- 260-days vol.
2014 effects								
Available-for-sale financial assets	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
Equity instruments	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
Variability at 31 December 2014	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
2013 effects								
Available-for-sale financial assets	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)
Equity instruments	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)
Variability at 31 December 2013	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)

The risk in question concerns the dollar-denominated shares.

Poste Italiane Group - Foreign exchange risk/SDR

Date of reference of the analysis	Position in SDR/000	Position in €000	Change in value		Pre-tax profit		Equity reserves before taxation	
			- 260-days vol.	- 260-days vol.	- 260-days vol.	- 260-days vol.	- 260-days vol.	- 260-days vol.
2014 effects								
Current assets in SDRs	61,193	73,022	2,171	(2,171)	2,171	(2,171)	-	-
Current liabilities in SDRs	(65,695)	(78,395)	(2,331)	2,331	(2,331)	2,331	-	-
Variability at 31 December 2014	(4,502)	(5,373)	(160)	160	(160)	160	-	-
2013 effects								
Current assets in SDRs	62,128	69,376	2,598	(2,598)	2,598	(2,598)	-	-
Current liabilities in SDRs	(62,827)	(70,157)	(2,627)	2,627	(2,627)	2,627	-	-
Variability at 31 December 2013	(700)	(781)	(29)	29	(29)	29	-	-

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) and used worldwide to settle debits and credits among postal operators.

Fair value interest rate risk

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of change in interest rates on the spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the portfolio duration.

[77] This amount relates to the investments in the BlackRock UCITS.

In line with previous years, the following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The measures of sensitivity shown in the following analysis provide a reference point which is useful in assessing potential changes in fair value in the event of greater movements in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2014 for the Poste Italiane Group's positions.

Poste Italiane Group -Fair value interest rate risk

Date of reference of the analysis	Risk exposure		Change in value		Effects on liabilities towards policyholders		Pre-tax profit		Equity reserves before taxation	
	Nominal	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 effects										
Financial assets										
Available for sale financial assets	93,810,670	105,957,059	(5,595,985)	4,778,207	(4,446,128)	4,446,128	-	-	(1,149,857)	332,078
Fixed-income instruments	93,806,330	105,578,416	(5,589,822)	4,772,044	(4,439,965)	4,439,965	-	-	(1,149,857)	332,078
Other investments	4,340	378,643	(6,163)	6,163	(6,163)	6,163	-	-	-	-
Financial assets at FV through profit or loss	7,904,065	7,921,392	(267,511)	266,850	(265,727)	265,066	-	-	(1,784)	1,784
Fixed-income instruments	7,404,065	7,370,424	(247,125)	247,125	(245,341)	245,341	-	-	(1,784)	1,784
Structured bonds	500,000	550,968	(20,386)	19,725	(20,386)	19,725			-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities						-				
Derivative financial instruments	(50,000)	(6,647)	3,622	(4,876)	-	-	3,622	(4,876)	-	-
Fair value through profit or loss	(50,000)	(6,647)	3,622	(4,876)	-	-	3,622	(4,876)	-	-
Variability at 31 December 2014	101,664,735	113,871,804	(5,859,874)	5,040,181	(4,711,855)	4,711,194	3,622	(4,876)	(1,151,641)	333,863
2013 effects										
Financial assets										
Available for sale financial assets	81,818,760	83,138,007	(4,559,658)	4,497,456	(3,367,313)	3,271,035	-	-	(1,192,345)	1,226,421
Fixed-income instruments	81,818,760	83,138,007	(4,559,658)	4,497,456	(3,367,313)	3,271,035	-	-	(1,192,345)	1,226,421
Financial assets at FV through profit or loss	7,606,167	7,062,696	(262,852)	265,799	(262,852)	265,799	-	-	-	-
Fixed-income instruments	7,106,167	6,560,746	(253,202)	253,999	(253,202)	253,999	-	-	-	-
Structured bonds	500,000	501,950	(9,650)	11,800	(9,650)	11,800	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities						-				
Derivative financial instruments	(50,000)	(337)	2,308	(3,573)	-	-	2,308	(3,573)	-	-
Fair value through profit or loss	(50,000)	(337)	2,308	(3,573)	-	-	2,308	(3,573)	-	-
Variability at 31 December 2013	89,374,927	90,200,366	(4,820,202)	4,759,683	(3,630,165)	3,536,834	2,308	(3,573)	(1,192,345)	1,226,421

Available-for-sale financial assets exposed to the risk in question regard primarily fixed rate instruments held almost exclusively by the Parent Company, by Poste Vita SpA and by BdM-MCC SpA.

They include:

- fixed-rate government bonds (inclusive of the CDP bonds) held by Poste Vita SpA, totalling €64,552,291 thousand (of which €5,592,525 thousand in inflation-indexed bonds); of this amount, €60,346,895 thousand is used to cover Branch I and V policies linked to separately managed funds, €1,647,805 thousand to cover specific assets, and €2,557,591 thousand relates to the Company's capital;
- €28,750,973 thousand in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €13,470,067 thousand, variable rate bonds converted into fixed rate bonds via cash flow swaps amounting to €2,102,670 thousand, variable rate bonds amounting to €3,887,643 thousand (of which €2,908,707 thousand in inflation-linked instruments and €978,936 thousand in CCTeus,), fixed or variable rate bonds converted to variable-rate positions via fair value hedges amounting to €9,290,593 thousand.
- €10,842,403 thousand in other, non-government bonds held by Poste Vita SpA, used mainly to meet obligations towards policyholders in relation to separately managed Branch I and V policies;
- €746,510 thousand in euro zone government bonds held by BdM-MCC SpA and Bancoposta Fondi SpA SGR;
- €569,227 thousand in investments held by the Parent Company outside the ring-fence;
- €378,643 thousand in mutual fund units held by Poste Vita SpA to cover policyholders in separately managed funds;

- €117,012 thousand in fixed-rate government bonds held by Poste Assicura SpA (of which €9,278 thousand inflation indexed).

Within the context of financial assets at fair value through profit or loss, fair value interest rate risk concerns a portion of the fixed rate investments of Poste Vita SpA, totalling €7,921,392 thousand. These consist of investments with a fair value of €6,032,746 thousand, relating to coupon stripped[78] BTPs covering obligations associated with Branch III insurance products, investments with a fair value of €1,337,678 thousand, relating to corporate bonds covering Branch I and V contractual obligations, and investments with a fair value of €550,968 thousand, relating to bonds issued by CDP SpA to cover Branch I policies.

Within the context of financial liabilities, the risk in question concerns fair value losses of €6,647 thousand on the derivative contract entered into by the Parent Company to hedge the cash flows of the bond with a nominal value of €50 million issued in 2013 (note 3.3, tab. A5.10).

With reference to the interest rate risk exposure determined by the average duration of the portfolios, in 2014 the duration of BancoPosta's overall investments went from 5.1 to 5.2 years, due mainly to lower interest rates. As to Branch I and V policies issued by Poste Vita SpA, the average duration of the assets matching such policies shifted from 6.01 years at 31 December 2013 to 5.43 years at 31 December 2014, whilst the average duration of the liabilities shifted from 5.67 years to 5.43 years. The financial instruments intended to cover the technical provisions for Branch III have maturities that match those of the liabilities.

Spread risk

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, which is hedged by the Parent Company, no hedging policy is in place to protect against credit risk. If interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.

In 2014, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 138 bps at 31 December 2014 (from 217 bps at 31 December 2013). The progressive improvement in Italy's credit rating in 2014 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified by the Group as available-for-sale (AFS).

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita group monitor spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VaR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

[78] Coupon stripping consists in detaching the interest payment coupons from a note or bond. Coupon stripping transforms each government security into a series of zero-coupon bonds. Each component may be traded separately.

The table below shows the results of the analysis of sensitivity of the most significant positions in the portfolios of both the Parent Company and the Poste Vita group to sovereign risk at 31 December 2014.

Poste Italiane SpA - Effect of credit spread on fair value

Date of reference of the analysis	Risk exposure		Change in value		Pre-tax profit		Equity reserves before taxation	
	Nominal value	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 Effects								
Financial assets attributable to BancoPosta	23,941,200	28,750,973	(2,122,183)	2,384,085	-	-	(2,122,183)	2,384,085
Available-for-sale financial assets								
Government bonds	23,941,200	28,750,973	(2,122,183)	2,384,085	-	-	(2,122,183)	2,384,085
Financial assets	500,000	569,227	(26,327)	26,910	-	-	(26,327)	26,910
Available-for-sale financial assets								
Government bonds	500,000	569,227	(26,327)	26,910	-	-	(26,327)	26,910
Variability at 31 December 2014	24,441,200	29,320,200	(2,148,510)	2,410,995	-	-	(2,148,510)	2,410,995
2013 Effects								
Financial assets attributable to BancoPosta	22,807,100	24,373,703	(1,585,709)	1,766,265	-	-	(1,585,709)	1,766,265
Available-for-sale financial assets								
Government bonds	22,807,100	24,373,703	(1,585,709)	1,766,265	-	-	(1,585,709)	1,766,265
Financial assets	650,000	675,895	(28,336)	29,934	-	-	(28,336)	29,934
Available-for-sale financial assets								
Government bonds	650,000	675,895	(28,336)	29,934	-	-	(28,336)	29,934
Variability at 31 December 2013	23,457,100	25,049,598	(1,614,046)	1,796,199	-	-	(1,614,046)	1,796,199

Poste Vita group - Effect of credit spread on fair value

Date of reference of the analysis	Risk exposure		Change in value		Effects on deferred liabilities towards policyholders		Pre-tax profit		Equity reserves before taxation	
	Nominal value	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 Effects										
Financial assets										
Available for sale financial assets	68,688,960	75,890,348	(4,988,428)	4,988,428	(4,845,399)	4,845,399	-	-	(143,029)	143,029
Government bonds	58,786,778	64,669,301	(4,509,802)	4,509,802	(4,366,878)	4,366,878	-	-	(142,924)	142,924
Corporate Investment Grade bonds	9,528,697	10,440,520	(452,068)	452,068	(451,964)	451,964	-	-	(104)	104
Corporate High Yield bonds	373,485	780,526	(26,557)	26,557	(26,557)	26,557	-	-	-	-
Financial assets at FV throgh profit or loss	7,904,065	7,921,391	(302,324)	302,379	(300,540)	300,595	(1,784)	1,784	-	-
Government bonds	6,669,671	6,583,712	(219,928)	219,983	(218,144)	218,199	(1,784)	1,784	-	-
Corporate Investment Grade bonds	1,160,994	1,262,623	(78,459)	78,459	(78,459)	78,459	-	-	-	-
Corporate High Yield bonds	73,400	75,056	(3,937)	3,937	(3,937)	3,937	(0)	0	-	-
Variability at 31 December 2014	76,593,025	83,811,739	(5,290,752)	5,290,807	(5,145,939)	5,145,994	(1,784)	1,784	(143,029)	143,029
2013 Effects										
Financial assets										
Available for sale financial assets	57,905,750	57,617,657	(3,465,709)	3,659,595	(3,351,997)	3,543,917	-	-	(113,712)	115,678
Government bonds	49,586,101	48,853,179	(3,099,671)	3,289,534	(2,989,839)	3,177,698	-	-	(109,832)	111,836
Corporate Investment Grade bonds	8,002,249	8,437,254	(351,958)	356,149	(348,078)	352,307	-	-	(3,880)	3,842
Corporate High Yield bonds	317,400	327,224	(14,080)	13,912	(14,080)	13,912	-	-	-	-
Financial assets at FV throgh profit or loss	7,606,167	7,062,696	(320,590)	321,787	(320,590)	321,787	-	-	-	-
Government bonds	6,952,599	6,390,860	(271,804)	271,804	(271,804)	271,804	-	-	-	-
Corporate Investment Grade bonds	622,768	638,729	(47,370)	48,539	(47,370)	48,539	-	-	-	-
Corporate High Yield bonds	30,800	33,107	(1,416)	1,444	(1,416)	1,444	-	-	-	-
Variability at 31 December 2013	65,511,917	64,680,353	(3,786,299)	3,981,382	(3,672,587)	3,865,704	-	-	(113,712)	115,678

The table below shows the VaR analysis performed on the most significant positions in the portfolios of both the Parent Company and the Poste Vita group at 31 December 2014.

Poste Italiane SpA - VAR analysis

Date of reference of the analysis	Risk exposure		Spread VaR
	Nominal value	Fair value	
2014 Effects			
Financial assets attributable to BancoPosta	23,941,200	28,750,973	237,911
Available-for-sale financial assets			
Government bonds	23,941,200	28,750,973	237,911
Financial assets	500,000	569,227	2,473
Available-for-sale financial assets			
Government bonds	500,000	569,227	2,473
Variability at 31 December 2014	24,441,200	29,320,200	240,415
2013 Effects			
Financial assets attributable to BancoPosta	22,807,100	24,373,703	135,518
Available-for-sale financial assets			
Government bonds	22,807,100	24,373,703	135,518
Financial assets	650,000	675,895	2,549
Available-for-sale financial assets			
Government bonds	650,000	675,895	2,549
Variability at 31 December 2013	23,457,100	25,049,598	138,061

Poste Vita group - VAR analysis

Date of reference of the analysis	Risk exposure		Spread VaR
	Nominal value	Fair value	
2014 Effects			
Financial assets			
Available-for-sale financial assets	68,688,960	75,890,348	352,628
Government bonds	58,786,778	64,669,301	352,447
Corporate Investment Grade bonds	9,528,697	10,440,520	4,489
Corporate High Yield bonds	373,485	780,526	488
Financial instruments at FV through profit or loss	7,904,065	7,921,391	13,422
Government bonds	6,669,671	6,583,712	13,365
Corporate Investment Grade bonds	1,160,994	1,262,623	779
Corporate High Yield bonds	73,400	75,056	93
Variability at 31 December 2014	76,593,025	83,811,739	366,057
2013 Effects			
Financial assets			
Available-for-sale financial assets	57,905,750	57,617,657	486,322
Government bonds	49,586,101	48,853,179	485,371
Corporate Investment Grade bonds	8,002,249	8,437,254	6,778
Corporate High Yield bonds	317,400	327,224	514
Financial instruments at FV through profit or loss	7,606,167	7,062,696	35,071
Government bonds	6,952,599	6,390,860	34,999
Corporate Investment Grade bonds	622,768	638,729	471
Corporate High Yield bonds	30,800	33,107	52
Variability at 31 December 2013	65,511,917	64,680,353	521,393

Credit risk

Credit risk refers to all assets, except shares and units of mutual funds.

This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

In 2014, the ratings revised by the main agencies did not result in changes in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was A3 at 31 December 2014, unchanged from 31 December 2013.

Poste Italiane Group's financial assets exposed to credit risk at 31 December 2014 are shown in the table below. The ratings reported in the table have been assigned by Moody's.

Poste Italiane Group - Credit risk on financial assets

Item	Balance at 31 December 2014				Balance at 31 December 2013			
	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total
Loans and receivables	112,549	7,105,604	1,679,401	8,897,555	-	6,701,392	1,128,135	7,829,527
Loans	-	64,521	1,298,051	1,362,572	-	32,518	690,251	722,769
Receivables	-	171,239	32,859	204,098	-	254,482	24,098	278,580
BancoPosta receivables	112,549	6,869,844	348,491	7,330,885	-	6,414,392	413,786	6,828,178
Available-for-sale financial assets	1,977,823	103,198,708	401,883	105,578,414	1,655,899	81,213,002	269,107	83,138,008
Credit instruments Poste Vita Branch I	1,967,845	70,461,542	401,883	72,831,270	1,645,965	53,392,968	269,107	55,308,040
Credit instruments Poste Vita Branch III	-	-	-	-	-	-	-	-
Credit instruments Poste Vita free capital	9,978	2,553,444	-	2,563,422	9,934	2,213,922	-	2,223,856
BancoPosta credit instruments	-	28,750,973	-	28,750,973	-	24,373,703	-	24,373,703
Other securities and deposits (PII+PASSICURA+MCC)	-	1,432,748	-	1,432,748	-	1,232,409	-	1,232,409
Held-to-maturity financial assets	-	14,099,686	-	14,099,686	-	15,221,162	-	15,221,162
BancoPosta credit instruments	-	14,099,686	-	14,099,686	-	15,221,162	-	15,221,162
Financial assets at FV through profit or loss	117,251	9,075,258	544,951	9,737,460	58,151	9,452,740	33,107	9,543,998
Credit instruments Poste Vita Branch I	117,251	1,704,113	75,056	1,896,420	58,151	1,082,528	33,107	1,173,786
Credit instruments Poste Vita Branch III	-	7,308,455	469,864	7,778,318	-	8,367,431	-	8,367,431
Credit instruments Poste Vita free capital	-	62,691	31	62,722	-	2,781	-	2,781
Other securities and deposits	-	-	-	-	-	-	-	-
Derivative financial instruments	4,253	383,217	9	387,479	-	329,137	13	329,150
Cash flow hedges	4,253	44,348	-	48,601	-	31,691	-	31,691
Fair value hedges	-	132,496	-	132,496	-	87,458	-	87,458
Fair value through profit or loss	-	206,373	9	206,382	-	209,988	13	210,001
Total	**2,211,876**	**133,862,474**	**2,626,244**	**138,700,594**	**1,714,050**	**112,917,433**	**1,430,362**	**116,061,845**

Credit risk arising from derivative transactions is mitigated through rating and group/counterparty concentration limits. In relation to BancoPosta RFC and BdM-MCC SpA, interest rate and asset swap contracts are guaranteed by collateral provided by specific Credit Support Annexes. Exposure is quantified and monitored using the "market value" method provided for by Regulation (EU) 575/2013 (Basel 3).

Poste Italiane Group's trade receivables exposed to credit risk at 31 December 2014 are shown in the table below.

Poste Italiane Group - Credit risk on trade receivables

Item	At 31 December 2014		At 31 December 2013	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from MEF	1,148,857	(165,688)	1,054,307	(50,054)
Private customers	902,050	(206,277)	981,712	(184,408)
Cassa Depositi e Prestiti	901,118	-	893,418	-
Public sector	616,876	(102,811)	608,091	(101,166)
Overseas postal operators	188,777	(257)	190,248	(257)
Due from subsidiaries, joint ventures and associates	2,380	-	17,617	-
Prepayments	244	-	493	-
Total	3,760,302		3,745,886	
of which past due	632,092		662,835	

In relation to "Revenue and receivables due from the state", the nature of the Group's customers, the structure of revenue and the method of collection limit the risk of default on trade receivables. However, as explained in note 2.3, certain of the Parent Company's activities envisage only partial reimbursement by the government of the cost incurred by the Company and amounts due to Poste Italiane are not always included in the state budget. Such activities are typically regulated by statute and specific agreements or contracts which involve particularly complex renewal processes (e.g. the universal postal service and discounted tariffs for election campaigns),

All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

The Company's other receivables and assets exposed to the risk in question at 31 December 2014 are shown in the table below.

Poste Italiane Group - Credit risk on other receivables and assets

Item	At 31 December 2014		At 31 December 2013	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from tax authorities - tax withholdings	2,353,013	-	1,866,224	-
Receivables due from staff under fixed-term contracts settlement	259,861	(5,876)	297,971	(5,913)
Due from MEF cancellation of EC decision of 16 July 2008	535,000	-	-	-
Interest income accrued on IRES refund	70,352	-	59,576	-
Other receivables	241,093	(50,345)	213,424	(46,687)
Technical provisions for claims attributable to reinsurers	54,403	-	40,340	-
Accrued income and prepaid expenses from trading transactions	16,660	-	16,360	-
Tax assets	13,142	-	12,680	-
Total	3,543,524		2,506,575	
of which past due	47,813		32,103	

Lastly, with regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, Poste Italiane SpA's exposure to sovereign debt[79] at 31 December 2014 is shown in the table below, which provides details of the nominal value, carrying amount and fair value of each type of portfolio.

Poste Italiane Group - Exposure to sovereign debt

(€000)

Item	At 31 December 2014			At 31 December 2013		
	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Italy	101,141,004	111,810,990	113,974,716	92,449,305	92,982,836	93,775,457
Held-to-maturity investments	13,807,550	14,099,686	16,263,412	14,913,550	15,221,162	16,013,783
Available-for-sale financial assets	81,163,783	91,678,558	91,678,558	71,083,156	71,872,764	71,872,764
Financial assets recognised at FV through profit or loss	6,169,671	6,032,746	6,032,746	6,452,599	5,888,910	5,888,910
Austria	425	504	504	425	508	508
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	425	504	504	425	508	508
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Belgium	143,060	145,637	145,637	25,060	31,778	31,778
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	143,060	145,637	145,637	25,060	31,778	31,778
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Finland	10,000	10,097	10,097	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	10,000	10,097	10,097	-	-	-
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
France	268,330	283,675	283,675	147,580	164,498	164,498
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	268,330	283,675	283,675	147,580	164,498	164,498
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Germany	22,590	32,178	32,178	58,990	69,391	69,391
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	22,590	32,178	32,178	58,990	69,391	69,391
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Spain	605,700	697,325	697,325	27,200	28,773	28,773
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	605,700	697,325	697,325	27,200	28,773	28,773
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Slovenia	10,000	10,307	10,307	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	10,000	10,307	10,307	-	-	-
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Total	**102,201,109**	**112,990,713**	**115,154,439**	**92,708,560**	**93,277,783**	**94,070,404**

79 "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

Liquidity risk

In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, Poste Italiane Group applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amounts and the number of banks;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

The following tables compare the Group's liabilities and assets at 31 December 2014, in terms of liquidity risk.

Poste Italiane Group - Liquidity risk - Liabilities

Item	At 31 December 2014				At 31 December 2013			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Flows from Poste Vita group's policies	8,071,381	37,630,214	58,869,244	104,570,839	5,793,796	31,570,387	58,860,955	96,225,138
Financial liabilities	25,996,577	11,384,568	16,966,615	54,347,760	20,378,679	12,743,550	19,864,088	52,986,317
Postal current accounts	17,015,273	7,508,065	16,653,131	41,176,468	15,558,681	7,735,040	19,214,664	42,508,385
Borrowings	6,485,329	3,876,401	313,484	10,675,213	2,545,690	5,008,052	649,424	8,203,166
Other financial liabilities	2,495,976	102	-	2,496,078	2,274,308	458	-	2,274,766
Trade payables	1,421,877	-	-	1,421,877	1,519,629	-	-	1,519,629
Other liabilities	1,895,903	732,718	38,998	2,667,619	1,871,434	497,381	43,261	2,412,076
Total liabilities	37,385,738	49,747,500	75,874,857	163,008,095	29,563,538	44,811,318	78,768,304	153,143,160

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity, while the maturities of postal current account deposits are reported on the basis of the estimates made with a statistic/econometric model. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2014. The liabilities of Poste Vita SpA and Poste Assicura SpA are reflected in "Flows from the Poste Vita group's policies".

Poste Italiane Group - Liquidity risk - Assets

Item	At 31 December 2014				At 31 December 2013			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	20,180,671	55,714,354	89,586,345	165,481,371	16,239,311	49,215,016	84,767,354	150,221,681
Deposits with the MEF	5,467,139	-	-	5,467,139	5,078,026	-	-	5,078,026
Investments in securities	12,455,478	54,975,029	88,756,139	156,186,647	9,029,607	48,714,916	84,445,768	142,190,291
Other financial receivables	2,258,054	739,325	830,206	3,827,585	2,131,678	500,100	321,586	2,953,364
Trade receivables	3,701,453	62,398	-	3,763,851	3,631,922	118,012	-	3,749,934
Other receivables and assets	1,533,933	1,957,920	98,187	3,590,040	943,747	1,499,976	120,109	2,563,832
Cash and deposits attributable to BancoPosta	2,873,042	-	-	2,873,042	3,079,693	-	-	3,079,693
Cash and cash equivalents	1,703,765	-	-	1,703,765	1,445,334	-	-	1,445,334
Total assets	29,992,863	57,734,672	89,684,532	177,412,068	25,340,007	50,833,004	84,887,463	161,060,474

Assets at 31 December 2014, broken down by maturity, are shown above at nominal value and increased, where applicable, by interest receivable. The item "Investments in securities" includes financial instruments held by BancoPosta RFC and the Group's insurance policies. In particular, fixed rate instruments are shown on the basis of expected cash flows, which consist of principal and interest paid at the various payment dates.

The key point of note is the liquidity risk associated with the investment of customers' current account balances and with the Branch I and V policies issued by Poste Vita SpA.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for private customers and five years for Public Sector customers. At 31 December 2014, the maturities of investments in euro area government securities and the portfolio replication model approved by the Board of Directors of the Company were largely matched, in accordance with the internal guidelines in this area.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

Additional information on liquidity risk

With regard to Group cash flow management, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system is used for four of the main subsidiaries and, with regard to banking activities, makes use of zero balance cash pooling. In this way, cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

The Group's financial structure at 31 December 2014 is solid and balanced and adequately protected from liquidity or refinancing risks. Overall, borrowings are primarily medium/long-term, except for drawdowns on short-term lines of credit and repurchase agreements. The lines of credit and medium/long-term borrowings outstanding at 31 December 2014 are adequate to meet expected financing requirements (note 3.3, section B8).

Cash flow interest rate risk

Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve (+/- 100 bps).

Sensitivity to cash flow interest rate risk at 31 December 2014 on the Group's positions is shown in the table below.

Poste Italiane Group - Cash flow interest rate risk

Date of reference ofthe analysis	Risk exposure	Change in value		Effects of liabilities towards policyholders		Pre-tax profit	
	Nominal value	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
2014 effects							
Financial assets							
Amounts due from MEF	5,467,139	54,671	(54,671)	-	-	54,671	(54,671)
Other financial receivables	2,082,121	20,821	(2,948)	-	-	20,821	(2,948)
Fixed income instruments	7,886,955	78,870	(66,188)	56,077	(56,077)	22,793	(10,111)
Other investments	500,000	5,000	(5,000)	5,000	(5,000)	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	4,080	41	(3)	-	-	41	(3)
Cash and cash equivalents							
Deposits with MEF	933,566	9,336	(467)	-	-	9,336	(467)
Bank deposits	786,299	7,863	(6,910)	3,906	(3,906)	3,957	(3,004)
Financial liabilities							
Bonds	(346,307)	(3,642)	656	-	-	(3,642)	656
Borrowings (financial institutions borrowings)	(3,822,586)	(9,226)	738	-	-	(9,226)	738
Borrowings (overdrafts)	(7,964)	(80)	80	-	-	(80)	80
Borrowings (from subsidiaries)	-	-	-	-	-	-	-
Other financial liabilities	(257,573)	(2,575)	284	-	-	(2,575)	284
Variability at 31 December 2014	13,225,729	161,078	(134,430)	64,982	(64,982)	96,096	(69,448)
2013 effects							
Financial assets							
Amounts due from MEF	5,078,026	50,780	(50,780)	-	-	50,780	(50,780)
Other financial receivables	956,749	9,568	(2,523)	-	-	9,568	(2,523)
Fixed income instruments	5,149,474	54,704	(19,990)	31,099	(12,268)	23,605	(7,722)
Other investments	500,000	5,000	(5,000)	5,000	(5,000)	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	9,653	97	(97)	-	-	97	(97)
Cash and cash equivalents							
Deposits with MEF	529,414	5,294	(1,324)	-	-	5,294	(1,324)
Bank deposits	867,397	8,673	(5,347)	6,071	(3,224)	2,602	(2,123)
Financial liabilities							
Bonds	(384,065)	(3,841)	1,199	-	-	(3,841)	1,199
Borrowings (financial institutions borrowings)	(4,483,600)	(44,836)	11,216	-	-	(44,836)	11,216
Borrowings (overdrafts)	(4,925)	(49)	49	-	-	(49)	49
Borrowings (from subsidiaries)	-	-	-	-	-	-	-
Other financial liabilities	(135,505)	(1,355)	436	-	-	(1,355)	436
Variability at 31 December 2013	8,082,618	84,035	(72,161)	42,170	(20,492)	41,865	(51,668)

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- investment by the Parent Company of the funds deriving from the current account deposits of Public Sector entities in the following: deposits with the MEF, with a nominal value of €5,467,139 thousand; fixed and variable rate government bonds with a total nominal value of €970,000 thousand, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €795,000 thousand; and an inflation-linked bond issued by the Italian Republic, with a nominal value of €100,000, which has been hedged against changes in its fair value;
- a portion of the securities portfolio held by the Poste Vita group, with a nominal value of €6,019,455 thousand;
- receivables of €946,097 thousand, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily regards amounts deposited with the MEF and held in the so-called "buffer" account.

Cash flow inflation risk

The table below analyses the sensitivity of future cash flows for the Group's financial assets at 31 December 2014.

Poste Italiane Group - Cash flow inflation risk

Date of reference of the analysis	Risk exposure		Change in value		Effect on future liabilities towards policyholders		Pretax profit	
	Nominal value	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 effects								
Financial assets								
Available-for-sale financial instruments	7,423,300	8,510,511	279,831	(279,825)	271,572	(271,572)	8,259	(8,252)
Fixed-income instruments	7,423,300	8,510,511	279,831	(279,825)	271,572	(271,572)	8,259	(8,252)
Variability at 31 December 2014	7,423,300	8,510,511	279,831	(279,825)	271,572	(271,572)	8,259	(8,252)
2013 effects								
Financial assets								
Available-for-sale financial instruments	6,135,700	6,617,206	246,707	(246,626)	240,120	(240,120)	6,587	(6,506)
Fixed-income instruments	6,135,700	6,617,206	246,707	(246,626)	240,120	(240,120)	6,587	(6,506)
Variability at 31 December 2013	6,135,700	6,617,206	246,707	(246,626)	240,120	(240,120)	6,587	(6,506)

At 31 December 2014, cash flow inflation risk regards inflation-linked government securities not subject to cash flow hedges. These have a total nominal value of €7,423,300 thousand, of which €4,913,300 thousand regards securities held by the Poste Vita group and €2,510,000 thousand those held by BancoPosta RFC.

Price risk

Price risk relates to financial assets that the Company has classified as "Available-for-sale" (AFS) or "Held for trading" and certain derivative financial instruments where changes in value are recognised in profit or loss. The following sensitivity analysis relates to the principal positions potentially exposed to fluctuations in value, excluding certain minor items not traded on an active market. Financial statement balances at 31 December 2014 have been subjected to a stress test, based on historical volatility during the year, considered to be representative of potential market movements. The principal financial assets subject to price risk and the results of the analysis carried out as at 31 December 2014 for the Company are shown in the following table.

Poste Italiane SpA - Price risk

Date of reference of the analysis	Position	Change in value		Pre-tax profit		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2014 effects							
Financial assets attributable to BancoPosta							
Available-for-sale financial assets	56,313	13,642	(13,642)	-	-	13,642	(13,642)
Equity instruments	56,313	13,642	(13,642)	-	-	13,642	(13,642)
Financial assets							
Available-for-sale financial assets	5,612	632	(632)	-	-	632	(632)
Other investments	5,612	632	(632)	-	-	632	(632)
Variability at 31 December 2014	61,925	14,273	(14,273)	-	-	14,273	(14,273)
2013 effects							
Financial assets attributable to BancoPosta							
Available-for-sale financial assets	47,295	8,775	(8,775)	-	-	8,775	(8,775)
Equity instruments	47,295	8,775	(8,775)	-	-	8,775	(8,775)
Financial assets							
Available-for-sale financial assets	5,002	564	(564)	-	-	564	(564)
Other investments	5,002	564	(564)	-	-	564	(564)
Variability at 31 December 2013	52,297	9,340	(9,340)	-	-	9,340	(9,340)

Available-for-sale financial assets exposed to the risk in question regard primarily equities.

At 31 December 2014, equity instruments include:

- Class B Mastercard Incorporated and Class C VISA Incorporated shares held by BancoPosta RFC, totalling €53,958 thousand and €2,355 thousand, respectively. For the purposes of the sensitivity analysis, the shares held in the portfolio are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.
- Units of mutual investment funds, amounting to €5,612 thousand, held outside the ring-fence as "Other investments".

Foreign exchange risk

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

At 31 December 2014, this item primarily refers to equity instruments denominated in US dollars and Special Drawing Rights. The table below shows the sensitivity to foreign exchange risk at 31 December 2014 of the Company's financial assets.

Poste Italiane SpA - Foreign exchange risk/USD

Date of reference of the analysis	Position in USD/000	Position in €000	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.
2014 effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
Equity instruments	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
Fixed-income instruments	-	-	-	-	-	-	-	-
Variability at 31 December 2014	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
2013 effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)
Equity instruments	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)
Fixed-income instruments	-	-	-	-	-	-	-	-
Variability at 31 December 2013	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)

The foreign exchange risk relates to the shares denominated in US dollars.

Poste Italiane SpA - Foreign exchange risk/SDR

Date of reference of the analysis	Position in SDR/000	Position in €000	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.
2014 effects								
Current assets in SDRs	61,193	73,022	2,171	(2,171)	2,171	(2,171)	-	-
Current liabilities in SDRs	(65,695)	(78,395)	(2,331)	2,331	(2,331)	2,331	-	-
Variability at 31 December 2014	(4,502)	(5,373)	(160)	160	(160)	160	-	-
2013 effects								
Current assets in SDRs	62,128	69,376	2,598	(2,598)	2,598	(2,598)	-	-
Current liabilities in SDRs	(62,827)	(70,157)	(2,627)	2,627	(2,627)	2,627	-	-
Variability at 31 December 2013	(700)	(781)	(29)	29	(29)	29	-	-

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) and used worldwide to settle debits and credits among postal operators.

Fair value interest rate risk

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of change in interest rates on the spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the portfolio duration.

In line with previous years, the following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The measures of sensitivity shown in the following analysis provide a reference point which is useful in assessing potential changes in fair value in the event of greater movements in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2014 for the Company's positions.

Poste Italiane SpA - Fair value interest rate risk

Date of reference of the analysis	Risk exposure		Change in value		Pre-tax profit		Equity reserves before taxation	
	Nominal	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	23,941,200	28,750,973	(1,013,797)	206,007	-	-	(1,013,797)	206,007
Fixed-income instruments	23,941,200	28,750,973	(1,013,797)	206,007	-	-	(1,013,797)	206,007
Financial assets								
Available-for-sale financial assets	500,000	569,227	(2,669)	(7,320)	-	-	(2,669)	(7,320)
Fixed-income instruments	500,000	569,227	(2,669)	(7,320)	-	-	(2,669)	(7,320)
Financial liabilities								
Derivative financial instruments	(50,000)	(6,647)	3,622	(4,876)	3,622	(4,876)	-	-
Fair value through profit or loss	(50,000)	(6,647)	3,622	(4,876)	3,622	(4,876)	-	-
Variability at 31 December 2014	24,391,200	29,313,553	(1,012,844)	193,812	3,622	(4,876)	(1,016,466)	198,687
2013 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	22,807,100	24,373,703	(1,069,561)	1,110,135	-	-	(1,069,561)	1,110,135
Fixed-income instruments	22,807,100	24,373,703	(1,069,561)	1,110,135	-	-	(1,069,561)	1,110,135
Financial assets								
Available-for-sale financial assets	650,000	675,895	(2,983)	2,827	-	-	(2,983)	2,827
Fixed-income instruments	650,000	675,895	(2,983)	2,827	-	-	(2,983)	2,827
Financial liabilities								
Derivative financial instruments	(50,000)	(337)	2,308	(3,573)	2,308	(3,573)	-	-
Fair value through profit or loss	(50,000)	(337)	2,308	(3,573)	2,308	(3,573)	-	-
Variability at 31 December 2013	23,407,100	25,049,261	(1,070,236)	1,109,389	2,308	(3,573)	(1,072,545)	1,112,962

Available-for-sale financial assets exposed to fair value interest rate risk regard primarily:

- €28,750,973 thousand in government bonds held by BancoPost RFC, which consist of: fixed rate bonds amounting to €13,470,067 thousand, variable rate bonds converted into fixed rate bonds via asset swaps used as cash flow hedges, amounting to €2,102,670 thousand, variable rate bonds amounting to €3,887,643 thousand (of which €2,908,707 thousand in inflation-linked instruments and €978,936 thousand in CCTeus, which are variable rate Italian treasury certificates indexed to Euribor), fixed or variable rate bonds converted to variable-rate positions via fair value hedges, amounting to €9,290,593 thousand.
- €569,227 thousand in investments held outside the ring-fence.

Within the context of **financial liabilities**, the risk in question concerns fair value losses of €6.647 thousand on the derivative contract entered into in order to hedge the cash flows of the bond with a nominal value of €50 million issued in 2013 (note 4, tab. A6.4).

With reference to the interest rate risk exposure determined by the average duration of the portfolios, in 2014 the duration of BancoPosta's overall investments went from 5.1 to 5.2 years, due mainly to lower interest rates.

Spread risk

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, which is hedged by the Company, no hedging policy is in place to protect against credit risk. This means that, in the event of increases in interest rates attributable to the swap component, unrealised losses on fixed rate bonds are offset by an increase in the value of hedging IRSs (a fair value hedge strategy). If interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.

In 2014, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 138 bps at 31 December 2014 (from 217 bps at 31 December 2013). The progressive improvement in Italy's credit rating in 2014 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified as available-for-sale (AFS), with some gains realised.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

In addition to using the above sensitivity analysis, the Company monitors credit risk by calculating its maximum potential losses, through an estimate of Value at Risk (VaR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VaR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The table below shows the analysis of sensitivity of the most significant positions in the Company's portfolio to sovereign risk at 31 December 2014.

Poste Italiane SpA - Effect of credit spread on fair value

Date of reference of the analysis	Risk exposure		Change in value		Pre-tax profit		Equity reserves before taxation	
	Nominal value	*Fair value*	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 Effects								
Financial assets attributable to BancoPosta	23,941,200	28,750,973	(2,122,183)	2,384,085	-	-	(2,122,183)	2,384,085
Available-for-sale financial assets								
Government bonds	23,941,200	28,750,973	(2,122,183)	2,384,085	-	-	(2,122,183)	2,384,085
Financial assets	500,000	569,227	(26,327)	26,910	-	-	(26,327)	26,910
Available-for-sale financial assets								
Government bonds	500,000	569,227	(26,327)	26,910	-	-	(26,327)	26,910
Variability at 31 December 2014	24,441,200	29,320,200	(2,148,510)	2,410,995	-	-	(2,148,510)	2,410,995
2013 Effects								
Financial assets attributable to BancoPosta	22,807,100	24,373,703	(1,585,709)	1,766,265	-	-	(1,585,709)	1,766,265
Available-for-sale financial assets								
Government bonds	22,807,100	24,373,703	(1,585,709)	1,766,265	-	-	(1,585,709)	1,766,265
Financial assets	650,000	675,895	(28,336)	29,934	-	-	(28,336)	29,934
Available-for-sale financial assets								
Government bonds	650,000	675,895	(28,336)	29,934	-	-	(28,336)	29,934
Variability at 31 December 2013	23,457,100	25,049,598	(1,614,046)	1,796,199	-	-	(1,614,046)	1,796,199

The table below shows the VaR analysis performed on the most significant positions in the Company's portfolio at 31 December 2014.

Poste Italiane SpA - VAR analysis

Date of reference of the analysis	Risk exposure		Spread VaR
	Nominal value	Fair value	
2014 Effects			
Financial assets attributable to BancoPosta	23,941,200	28,750,973	237,911
Available-for-sale financial assets			
Government bonds	23,941,200	28,750,973	237,911
Financial assets	500,000	569,227	2,473
Available-for-sale financial assets			
Government bonds	500,000	569,227	2,473
Variability at 31 December 2014	24,441,200	29,320,200	240,415
2013 Effects			
Financial assets attributable to BancoPosta	22,807,100	24,373,703	135,518
Available-for-sale financial assets			
Government bonds	22,807,100	24,373,703	135,518
Financial assets	650,000	675,895	2,549
Available-for-sale financial assets			
Government bonds	650,000	675,895	2,549
Variability at 31 December 2013	23,457,100	25,049,598	138,061

At 31 December 2014, available-for-sale financial assets attributable to BancoPosta RFC show a potential maximum loss of €237,911 thousand for the spread risk exposure alone (€135,518 thousand at 31 December 2013), while financial assets held outside the ring-fence show a potential maximum loss on available-for-sale financial assets of €2,473 thousand for the spread risk exposure alone (€2,549 thousand at 31 December 2013).

Poste Italiane SpA estimates the VaR for available-for-sale financial assets and derivative instruments, also taking into account the combined effects of fair value interest rate risk and spread risk (also in this case the VaR is estimated on statistical bases over a 1-day time horizon and at a 99% confidence level). The analysis reveals the following:

- financial assets attributable to BancoPosta RFC show a potential maximum loss on available-for-sale financial assets, relating to fair value interest rate risk and spread risk, of €215,830 thousand at 31 December 2014 (€138,098 thousand at 31 December 2013). The increase in VaR compared to 31 December 2013 is due to the higher duration of the securities held, which boosts the spread component of VaR.
- financial assets held outside the ring-fence show a potential maximum loss on available-for-sale financial assets, relating to fair value interest rate risk and spread risk, of €2,426 thousand at 31 December 2014 (€2,557 thousand at 31 December 2013); VaR is in line with the figure for the previous year.

Credit risk

Credit risk refers to all assets, except shares and units of mutual funds.

This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

In 2014, the ratings revised by the main agencies did not result in changes in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was A3 at 31 December 2014, unchanged from 31 December 2013.

The Company's **financial assets** exposed to credit risk at 31 December 2014 are shown in the table below. The ratings reported in the table have been assigned by Moody's.

Poste Italiane SpA - Credit risk on financial assets attributable to BancoPosta

Item	Balance at 31 December 2014				Balance at 31 December 2013			
	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total
Loans and receivables	112,549	6,869,844	348,491	7,330,885	-	6,414,392	413,786	6,828,178
Receivables	112,549	6,869,844	348,491	7,330,885	-	6,414,392	413,786	6,828,178
Held-to-maturity financial assets	-	14,099,685	-	14,099,685	-	15,221,162	-	15,221,162
Fixed-income instruments	-	14,099,685	-	14,099,685	-	15,221,162	-	15,221,162
Available-for-sale financial assets	-	28,750,973	-	28,750,973	-	24,373,703	-	24,373,703
Fixed-income instruments	-	28,750,973	-	28,750,973	-	24,373,703	-	24,373,703
Derivative financial instruments	4,253	44,348	-	48,601	-	32,087	-	32,087
Cash flow hedges	4,253	44,348	-	48,601	-	31,691	-	31,691
Fair value hedges	-	-	-	-	-	396	-	396
Fair value through profit or loss	-	-	-	-	-	-	-	-
Total	**116,802**	**49,764,850**	**348,491**	**50,230,144**	**-**	**46,041,344**	**413,786**	**46,455,130**

Poste Italiane SpA - Credit risk on financial assets

Item	Balance at 31 December 2014				Balance at 31 December 2013			
	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total	from Aaa to Aa3	from A1 to Baa3	from Ba1 to Not rated	Total
Loans and receivables	-	171,239	1,000,691	1,171,930	-	254,482	995,724	1,250,206
Loans	-	-	991,542	991,542	-	-	983,019	983,019
Receivables	-	171,239	9,149	180,388	-	254,482	12,705	267,187
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Fixed-income instruments	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	569,227	-	569,227	-	675,895	-	675,895
Fixed-income instruments	-	569,227	-	569,227	-	675,895	-	675,895
Derivative financial instruments	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Total	-	**740,466**	**1,000,691**	**1,741,157**	-	**930,377**	**995,724**	**1,926,101**

Credit risk arising from derivative transactions is mitigated through rating and group/counterparty concentration limits. In relation to BancoPosta RFC, interest rate and asset swap contracts are guaranteed by collateral provided by specific Credit Support Annexes. Exposure is quantified and monitored using the "market value" method provided for by Regulation (EU) no. 575/2013 (Basel 3).

The Company's **trade receivables** exposed to credit risk at 31 December 2014 are shown in the table below.

Poste Italiane SpA - Credit risk on trade receivables

Item	At 31 December 2014		At 31 December 2013	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from MEF	1,148,857	(165,688)	1,054,307	(50,054)
Cassa Depositi e Prestiti	901,118	-	893,418	-
Public sector	608,378	(102,678)	596,068	(100,594)
Private customers	381,714	(193,762)	433,717	(175,518)
Due from subsidiaries	259,010	-	256,359	-
Overseas postal operators	188,777	(257)	190,248	(257)
Due from associates	-	-	4,119	-
Total	3,487,854		3,428,236	
of which past due	379,332		475,593	

In relation to "Revenue and receivables due from the state", the nature of the Company's customers, the structure of revenue and the method of collection limit the risk of default on trade receivables.

However, as explained in note 2.3, certain of the Parent Company's activities envisage only partial reimbursement by the government of the cost incurred by the Company and amounts due to Poste Italiane are not always included in the state budget. Such activities are typically regulated by statute and specific agreements or contracts which involve particularly complex renewal processes (e.g. the universal postal service and discounted tariffs for election campaigns).

All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

The Company's **other receivables and assets** exposed to the risk in question at 31 December 2014 are shown in the table below.

Poste Italiane SpA - Credit risk on other receivables and assets

Item	At 31 December 2014		At 31 December 2013	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from tax authorities - tax withholdings	1,115,742	-	880,111	-
Due from MEF cancellation of EC decision of 16 July 2008	535,000	-	-	-
Receivables due from staff under fixed-term contracts settlements	253,985	(5,876)	292,058	(5,913)
Other receivables	203,142	(49,149)	180,782	(45,133)
Interest income accrued on IRES refund	69,498	-	58,856	-
Accrued income and prepaid expenses from trading transactions	6,569	-	12,632	-
Tax assets	9,177	-	7,677	-
Due from subsidiaries	1,817	-	1,242	-
Total	2,194,930		1,433,358	
of which past due	47,470		31,189	

Lastly, with regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, Poste Italiane SpA's exposure to sovereign debt[80] at 31 December 2014 is shown in the table below, which provides details of the nominal value, carrying amount and fair value of each type of portfolio.

Poste Italiane SpA - Exposure to sovereign debt

Item	At 31 December 2014			At 31 December 2013		
	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta						
Italy	37,748,750	42,850,658	45,014,385	37,720,650	39,594,865	40,387,486
Held-to-maturity investments	13,807,550	14,099,685	16,263,412	14,913,550	15,221,162	16,013,783
Available-for-sale financial assets	23,941,200	28,750,973	28,750,973	22,807,100	24,373,703	24,373,703
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Financial assets						
Italy	500,000	569,227	569,227	650,000	675,895	675,895
Held-to-maturity investments	-	-	-	-	-	-
Available-for-sale financial assets	500,000	569,227	569,227	650,000	675,895	675,895
Financial assets recognised at FV through profit or loss	-	-	-	-	-	-
Total	38,248,750	43,419,885	45,583,612	38,370,650	40,270,760	41,063,381

The Company's operations, especially BancoPosta's investing activities, are such that they give rise to a significant exposure to the Italian State, due essentially to the deposits with the MEF and the portfolio invested entirely in Italian government bonds.

Liquidity risk

In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, the Company applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amounts and the number of banks;

80 "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

The following tables compare the Group's liabilities and assets at 31 December 2014, in terms of liquidity risk.

Poste Italiane SpA - Liquidity risk - Liabilities

Item	At 31 December 2014				At 31 December 2013			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities attributable to BancoPosta								
Postal current acounts	17,089,556	7,540,843	16,725,833	41,356,232	15,593,489	7,752,344	19,257,650	42,603,483
Borrowings	4,143,245	1,519,531	-	5,662,775	1,160,603	3,790,228	-	4,950,831
Other financial liabilities	2,347,314	-	-	2,347,314	2,175,583	-	-	2,175,583
Financial liabilities	2,269,046	1,240,597	58,070	3,567,713	1,350,187	1,104,401	264,487	2,719,075
Trade payables	1,222,090	-	-	1,222,090	1,313,997	-	-	1,313,997
Other liabilities	1,434,964	673,994	38,998	2,147,956	1,632,261	449,711	43,261	2,125,233
Total liabilities	28,506,215	10,974,965	16,822,901	56,304,080	23,226,120	13,096,684	19,565,398	55,888,202

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity. The maturities of postal current account deposits are based on a statistical/econometric model of typical postal current account interest rates and maturities, in turn based on a prudent projection of the future volume of deposits. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2014.

Poste Italiane SpA - Liquidity risk - Assets

Item	At 31 December 2014				At 31 December 2013			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta								
Deposits with the MEF	5,467,139	-	-	5,467,139	5,078,026	-	-	5,078,026
Investments in securities	4,861,902	15,456,709	31,555,759	51,874,370	3,543,519	15,613,017	33,149,067	52,305,603
Other financial receivables	1,863,746	-	-	1,863,746	1,750,152	-	-	1,750,152
Financial assets	658,575	240,891	1,149,874	2,049,340	881,118	369,434	1,144,132	2,394,684
Trade receivables	3,437,589	53,916	-	3,491,505	3,332,785	104,716	-	3,437,501
Other receivables and assets	1,464,208	675,290	98,187	2,237,685	880,581	484,578	120,109	1,485,268
Cash and deposits attributable to BancoPosta	2,873,043	-	-	2,873,043	3,079,693	-	-	3,079,693
Cash and cash equivalents	985,536	-	-	985,536	587,652	-	-	587,652
Total assets	21,611,738	16,426,806	32,803,820	70,842,363	19,133,526	16,571,745	34,413,308	70,118,579

Assets, broken down by maturity, are shown above at nominal value and increased, where applicable, by interest receivable. The item "Investments in securities" is shown on the basis of expected cash flows, which consist of principal and interest paid at the various payment dates.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for private customers and five years for Public Sector customers. At 31 December 2014, the maturities of investments in euro area government securities and the portfolio replication model approved by the Board of Directors of the Company were largely matched, in accordance with the internal guidelines in this area.

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing.

Additional information on liquidity risk

Poste Italiane SpA's financial structure at 31 December 2014 is solid and balanced, and adequately protected from liquidity or refinancing risks. Overall borrowings are primarily medium/long-term, except for drawdowns on short-term lines of credit and repurchase agreements. The lines of credit and medium/long-term borrowings outstanding at 31 December 2014 are adequate to meet expected financing requirements. Details of the lines of credit available and used are provided in note 4.3, section B7.

Cash flow interest rate risk

Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates. Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve (+/- 100 bps). Sensitivity to cash flow interest rate risk at 31 December 2014 on the Company's positions is shown in the table below.

Poste Italiane SpA - Cash flow interest rate risk

Date of reference of the analysis	Risk exposure	Change in value		Pre-tax profit	
	Nominal value	+100 bps	-100 bps	+100 bps	-100 bps
2014 effects					
Financial assets attributable to BancoPosta					
Amounts due from MEF	5,467,139	54,671	(54,671)	54,671	(54,671)
Other financial receivables	891,647	8,916	(2,586)	8,916	(2,586)
Fixed income instruments	1,490,000	14,900	(4,781)	14,900	(4,781)
Financial assets					
Loans	912,480	9,125	(9,125)	9,125	(9,125)
Other financial receivables	54,450	545	(158)	545	(158)
Fixed income instruments	375,000	3,750	(1,203)	3,750	(1,203)
Cash and deposits attributable to BancoPosta					
Bank deposits	4,080	41	(3)	41	(3)
Cash and cash equivalents					
Deposits with MEF	933,566	9,336	(467)	9,336	(467)
Bank deposits	35,291	353	(353)	353	(353)
Financial liabilities attributable to BancoPosta					
Bank borrowings	(2,899,944)	-	-	-	-
Other financial liabilities	(33,737)	(337)	98	(337)	98
Financial liabilities					
Bank borrowings	-	-	-	-	-
Borrowings (from subsidiaries)	(887,384)	(8,874)	8,874	(8,874)	8,874
Other financial liabilities	(3,090)	(31)	9	(31)	9
Variability at 31 December 2014	6,339,498	92,395	(64,367)	92,395	(64,367)
2013 effects					
Financial assets attributable to BancoPosta					
Amounts due from MEF	5,078,026	50,780	(50,780)	50,780	(50,780)
Other financial receivables	344,365	3,444	(620)	3,444	(620)
Fixed-income instruments	1,700,000	17,000	(5,428)	17,000	(5,428)
Financial assets					
Loans	975,755	9,758	(9,758)	9,758	(9,758)
Other financial receivables	29,595	296	(53)	296	(53)
Fixed-income instruments	375,000	3,750	(1,197)	3,750	(1,197)
Cash and deposits attributable to BancoPosta					
Bank deposits	9,653	97	(97)	97	(97)
Cash and cash equivalents					
Deposits with MEF	529,414	5,294	(1,324)	5,294	(1,324)
Bank deposits	40,263	403	(403)	403	(403)
Financial liabilities attributable to BancoPosta					
Bank borrowings	(4,200,000)	(42,000)	10,500	(42,000)	10,500
Other financial liabilities	(11,086)	(111)	111	(111)	111
Financial liabilities					
Bank borrowings	-	-	-	-	-
Borrowings (from subsidiaries)	(306,045)	(3,060)	3,060	(3,060)	3,060
Other financial liabilities	-	-	-	-	-
Variability at 31 December 2013	4,564,940	45,649	(55,988)	45,649	(55,988)

Specifically, with respect to financial assets attributable to BancoPosta, the cash flow interest rate risk primarily relates to:

- investment of the funds deriving from the current account deposits of Public Sector entities in the following: deposits with the MEF, with a nominal value of €5,467,139 thousand; fixed and variable rate government bonds with a total nominal value of €970,000 thousand, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €420,000 thousand; and an inflation-linked bond issued by the Italian Republic, with a nominal value of €100,000, which has been hedged against changes in its fair value;
- receivables of €891,647 thousand, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments.

With respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- loans to other Group companies, totalling €912,480 thousand;
- fixed rate government bonds swapped into variable rate bonds via fair value hedges, amounting to a total nominal amount of €375,000 thousand.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily regards amounts deposited with the MEF and held in the so-called buffer account (€933,566 thousand).

Cash flow inflation risk

The table below analyses the sensitivity of future cash flows for the Company's financial assets at 31 December 2014.

Poste Italiane SpA - Cash flow inflation risk

Date of reference of the analysis	Risk exposure		Change in value		Pretax profit	
	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps
2014 effects						
Financial assets attributable to BancoPosta						
Available-for-sale financial instruments	2,510,000	2,908,707	177	(171)	177	(171)
Fixed-income instruments	2,510,000	2,908,707	177	(171)	177	(171)
Variability at 31 December 2014	2,510,000	2,908,707	177	(171)	177	(171)
2013 effects						
Financial assets attributable to BancoPosta						
Available-for-sale financial instruments	2,525,000	2,742,321	174	(170)	174	(170)
Fixed-income instruments	2,525,000	2,742,321	174	(170)	174	(170)
Variability at 31 December 2013	2,525,000	2,742,321	174	(170)	174	(170)

At 31 December 2014, cash flow inflation rate risk regards inflation-linked government securities not subject to cash flow hedges held by BancoPosta RFC.

Other risks

Operational risk

Information of a qualitative nature

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operating risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

Information of a quantitative nature

At 31 December 2014, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. These are as follows:

Operational risk

Event type	Number of types
Execution, delivery and process management	183
External fraud	48
Customers, products and business practices	35
Internal fraud	31
Employee practices and workplace safety	8
Business disruption and system failure	8
Damage caused by external events	4
Total at 31 December 2014	317

For each type of mapped risk, the Company has recorded and classified the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the Company to prioritise mitigation initiatives and attribute responsibilities to competent functions, in order to contain any future impact.

Within BancoPosta, in terms of frequency, the most significant events are losses due to errors or to aspects related to the design/structure of processes supporting the provision of products/services, whereas, in terms of impact, the most significant events are losses due to internal and external fraud.

Poste Vita SpA and Poste Assicura SpA have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure involves both qualitative and quantitative analysis and is conducted through a structured process of identifying and assessing potential risks in terms of frequency, impact and mitigation. The overall risk exposure is modest thanks to the adoption of organisational measures and mitigating risk controls.

In the insurance business, the most significant events for the Group regard errors in the execution of processes.

Insurance risks

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.).

In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy. Particular attention is paid in selling pure life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure. The main reinsurers of the Group are characterised by substantial financial strength.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

Nevertheless, at 31 December 2014, the mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance, for which actual death rates are compared from time to time with those projected on the basis of the demographics adopted for pricing purposes; to date, the former have always turned out to be much lower than the latter. Moreover, mortality risk is mitigated through reinsurance and by setting limits on both the capital and the age of the policyholder when policies are sold.

Longevity risk is also low. In fact, for most life insurance products the probability of annuitisation is very close to zero, as historical experience shows that policyholders never use the option to annuitise. Pension products, in particular, still account for a limited share of insurance liabilities (about 4%). In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

Pricing risk is the risk of incurring losses due to the inadequate premiums charged for the insurance products sold. It may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in Poste Vita's portfolio, except for the term life insurance products discussed above.

The options embedded in the policies held in the portfolio include:

- Surrender option;
- Guaranteed minimum return option;

- Annuity conversion option.

For nearly all the products in the portfolio there are no surrender penalties. The surrender risk only becomes significant, however, in the event of mass surrenders which, on the basis of historical evidence, have a low probability of occurrence.

Poste Assicura SpA is exposed to the following insurance risks:

- Underwriting risk: the risk deriving from the conclusion of insurance contracts associated with the events insured, the processes followed when pricing and selecting risks and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:
  - Pricing risk: the risk linked to the company's pricing of its policies which depends on the assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. These risks include those related to disability-morbidity, or the risk associated with the payment of benefits or claims for illness and/or injury. Pricing risk also includes the risk that the premiums charged are not sufficient to cover the actual costs incurred in the management of the contract and the risk of excessive growth in operations associated with poor selection of risks or the absence of resources sufficient to keep up with the pace of growth.
  - Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.
- Catastrophe risk: the risk that extreme and exceptional events have a negative impact that has not been taken into account when pricing the policies.
- Anti-selection risk: this relates to the company's unwillingness to insure an event not classified as future, uncertain and damaging.

Poste Assicura SpA is a relative newcomer to the insurance sector, having commenced operations in 2010, and this, together with the expected growth of the portfolio and the different degrees of risk associated with the products distributed, has required the company to adopt a highly prudent approach to reinsurance. In particular, it has entered into pro rata reinsurance treaties with major reinsurance providers, establishing the amounts to be ceded based on the specific type and size of the risk to be assumed, backed up by excess-loss or stop-loss treaties to cover risks of a certain size (such as accident policies or so-called catastrophic risks). In addition, when defining the guarantees offered, the assumption of specific types of risk has been mitigated by limiting the size of pay-outs in the event of certain specific types of claim.

With reference to non-life risks, the Group performs specific analyses including, among other things, stress tests in terms of accident frequencies and amounts, to determine whether premiums collected are insufficient to meet commissions, claims and expenses.

Reputational risk

The Group's business is by its nature exposed to elements of reputational risk, linked to market performance and primarily associated with the placement of investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).
In this regard, in order to optimise the risk-return profile of the products offered to its customers, Poste Italiane has adopted competitive selection policies and procedures for third-party issuers, entailing the selection of domestic and

foreign issuers consisting solely of banks and other financial companies with investment grade ratings. In addition, in order to protect and safeguard the Group's excellent reputation and public confidence in its operations and to protect its commercial interests from potential dissatisfaction among savers, significant monitoring activity is carried out throughout the Group to keep track of the performance of individual products and of changes in the risks to which customers are exposed; this involves conducting careful assessments based on the contractual nature of the products in question in terms of how they meet the needs of the various customers. In particular, with regard to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, in addition to assessing the need for provisions in the financial statements, Poste Italiane is closely monitoring market trends in order to protect its customers' interests.

6. PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

Litigation

In 2011, as part of a criminal investigation of third parties, the Tax Office in Rome, acting on behalf of local judicial authorities, seized accounting and administrative documents from Postel SpA related to e-procurement transactions carried out in 2010 and, to a lesser extent, in 2011; as a precautionary measure, e-procurement operations were suspended in 2011. The company and its external legal advisors will consider what actions to take to best safeguard the company's interests, should it be necessary.

On 27 February 2015, the tax authorities notified Poste Italiane SpA of an indictment for accounting irregularities before the Court of Auditors for the Lazio region, regarding a number of accounting records for the handling and distribution of revenue stamps in the years between 2007 and 2010. The hearing is scheduled for 2 July 2015.

Tax disputes

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 BdM-MCC SpA received an official tax audit report contesting the deductibility of €19.6 million in costs, relating to agreements effected in 2008 to settle disputes with the Parmalat Group. The report further claims that BdM-MCC underreported its taxable income by €16.2 million, relating to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. In February 2012 the bank responded to the *Direzione Regionale del Lazio - Agenzia delle Entrate* (the local tax authority), indicating that the bank had acted properly, and in April gave an exhaustive answer to the Questionnaire sent by the tax authority. Considering that for the 2008 tax year the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Tax Tribunal.

Given that responsibility for these events and the related conduct rests with the previous owner of the bank, whose lawyers are defending the bank in this case, it is felt that any liabilities arising from such violations cannot, in any way, be attributed to BdM-MCC SpA.

In November 2011, the tax authorities notified EGI SpA of three notices of assessment for the years 2006, 2007 and 2008, resulting in the identification of the same irregularity in each of the three years. This concerned the application, for the purposes of IRES, of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased by it to third parties. The company appealed the notices of assessment, which contained a demand for payment of IRES of €2.4 million, in addition to a fine of €2.4 million and interest, claiming that the findings were without basis in law and fact. The sentence of the Provincial Tax Tribunal of Rome was filed on 11 July 2013, partially upholding the company's appeal and cancelling the fines imposed by the tax authorities, due to objective uncertainty over the significance and scope of application of art. 11 of Law 413/1991, but rejecting the remainder of the appeals. On 12 December 2013, EGI SpA filed an appeal with the Regional Tax Tribunal to have the sentence issued by the Provincial Tax Tribunal partially overturned, making reference to previous rulings by the Court of Cassation. The tax authorities, for their part, have submitted a cross appeal to have the Court overturn the part of the decision in first instance in favour of the company. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company proceeded to pay a total of approximately €2.1 million within the required deadline. The payment was funded from the corresponding provisions for risks and charges recognised at 31 December 2013. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the Company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. The sentence was filed on 23 October 2014. The tax authorities may challenge the above ruling in the company's favour, lodging an appeal before the Court of Cassation by 23 April 2015 (the so-called "long" term for appealing provided for by art. 327, paragraph 1 of the Code of Civil Procedure).

In 2009, the Regional Tax Office for Large Taxpayers (Agenzia delle Entrate - *Direzione Regionale del Lazio - Ufficio Grandi Contribuenti*) notified Poste Vita SpA of an alleged violation of the VAT regulations in the 2004 tax year, resulting in fines of approximately €2.3 million for the alleged failure to pay VAT on invoices for service commissions. Poste Vita SpA appealed the above findings before the Provincial Tax Tribunal of Rome. In December 2010 and September 2011, the tax authorities sent notices of two further small fines for the same violation in fiscal years 2005 and 2006. These fines have also been appealed. With regard to the dispute over VAT for 2004 and 2006, the Provincial Tax Tribunal of Rome has found in the company's favour, ruling that the tax authorities' allegations are without grounds. The Agency has challenged such rulings by filing an appeal. Poste Vita filed its counterclaims on 16 February 2015. With regard to the alleged violation relating to 2005, the appeal is still pending before the Provincial Tax Tribunal of Rome, as a date for the hearing has yet to be fixed. The likely outcomes of the tax disputes continue to be taken into account in determining provisions for risks and charges.

In 2012 the *Agenzia delle Entrate Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) began an audit of Poste Italiane SpA's IRES, IRAP, VAT and withholding taxes for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. This audit, which was suspended on 27 February 2013, was re-launched on 4 June 2014 and extended to include the 2010 tax year, exclusively regarding inspection of VAT exemption relating to postal services. The audit came to an end on 27 October 2014, with the findings being published in the official tax audit report and accepted by Poste Italiane SpA on 26 November 2014, leading to payment of taxes and interest of approximately €211 thousand, in addition to a reduced fine of approximately €31 thousand. With regard to the issue of the VAT exemption for postal services, the tax authorities did not find any irregularities, merely reporting the matter to the assessing office which, for 2009, did not find evidence of a violation. The Company believes the same will be the case in relation to 2010.

The audit of Postel SpA commenced by the tax authorities regarding the 2008 tax year has also been completed, with imposition of a modest fine that the Company paid at the beginning of 2014. On 22 July 2014, however, the *Nucleo Polizia Tributaria Roma* (Tax Police) commenced a new tax audit regarding direct taxes and VAT for the tax years from 2009 to 2012, with the aim of reporting on the violations identified as a result of the aforementioned criminal investigation described above in the section on litigation. This audit came to an end on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, is contested. To back up is defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000, which are still being considered by the tax authorities. The likely outcome has been taken into account in determining provisions for risks and charges.
In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the *Guardia di Finanza – Nucleo Speciale Polizia Valutaria* (Currency Police) in Rome began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio PosteLink, now merged with the company, and Phoenix 2009 Srl.

Again with reference to Postel SpA, an appeal regarding the statute of limitations for the IRAP claimed by the tax authorities is pending before the relevant tax tribunal. The case regards a residual claim for tax payable in connection with an audit for the years 2003-2006. The first hearing, previously scheduled for 12 March 2015, was adjourned in order to attempt to reach a court settlement.

Finally, on 12 February 2013 the *Guardia di Finanza* (Tax Police) concluded a tax audit of SDA Express Courier SpA, initiated in July 2012, relating to direct taxes for the 2009 tax year and refuse collection taxes (*Ta.Ri.*) for the period 2008-2011. In response to the only finding which concerned financial transactions involving SDA Express Courier SpA, Poste Italiane SpA and Consorzio Logistica Pacchi Scrl, on 3 May 2013 SDA Express Courier submitted a defence brief to the Regional Tax Office for Lazio *(Direzione Regionale del Lazio*), requesting that the investigation be closed. The Tax Office has acceded to the request.

Social security dispute

Since 2012, the *Istituto Nazionale per la Previdenza Sociale* (*INPS*, the National Institute of Social Security) office at Genoa Ponente has issued Postel SpA and Postelprint SpA a number of notices of adjustment, some of which have resulted in payment orders, for a total amount payable of €9.6 million, which, according to the agency, represents unpaid social security contributions. The companies immediately challenged the grounds for the payment orders, initially through administrative channels before the Administrative Committee for Employee Pensions, and then in the form of legal action before the Court of Genoa. The Court awarded an injunction suspending the payment orders and adjourned the discussion until the related hearings. In a brief filed on 24 May 2014 with regard to one of the pending actions, INPS has for the first time clarified the nature of its claim for unpaid contributions, arguing that the companies, whilst correctly paying pension contributions to IPOST (a fact that cannot be contested in the light of the authentic interpretation provided by art 7, paragraph 9 *sexies* of Law Decree 101/2013), should have paid non-pension contributions to INPS, on the assumption that IPOST represents a supplementary pension scheme and not an alternative to the general regime, and that its sole purpose is to provide old age, invalidity and survivors' pensions. According to this interpretation, the two Postel companies are required to insure their employees with INPS in order to provide other forms of cover (income support, extraordinary income support, unemployment benefit and family benefits) not provided by IPOST. In part based on the opinion of its legal counsel, the Postel group companies maintain that they have correctly applied the relevant legislation and that INPS's claims are without grounds. The degree of uncertainty linked to the outcome of the pending challenges has, in any event, been prudentially taken into account in calculating provisions for risks and charges at 31 December 2014.

Principal proceedings pending and relations with the authorities

European Commission

On 13 September 2013, the Court of Justice of the European Union upheld Poste Italiane SpA's appeal, overturning the decision of the European Commission of 16 July 2008 on state aid, ordering the EC to pay legal costs. Acting on the European Commission's Decision, and in accordance with instructions from the Parent Company's shareholder, in November 2008 Poste Italiane SpA made available €443 million plus interest of €41 million to the MEF, which withdrew the sum in January 2009. As the sentence has become final following expiry of the deadline for the Commission to bring a legal challenge (the Commission has not appealed the court's ruling), the Company asked the MEF to establish how to implement the decision in respect of the return of the sums paid, plus the interest due, whilst awaiting judgement,. Poste Italiane also applied to the Commission for a refund of its costs, receiving a positive response on 22 January 2014. In implementing the sentence of the European Court of 13 September 2013, art.1, paragraph 281 of Stability Law no. 190 of 23 December, 2014 has authorised payment of the sum of €535 million for 2014 to Poste Italiane (section B2).

On 15 October 2013, the European Commission notified initiation of a preliminary investigation, in accordance with EU regulations concerning state aid, regarding Alitalia Compagnia Aerea Italiana SpA ("Alitalia"), and submitted a series of requests for information on these matters to the Italian authorities. Subsequently, additional requests were submitted, to which the Italian authorities replied, partly based on information provided by Poste Italiane.
On 6 February 2015, the European Commission notified that it had completed its preliminary investigation without finding evidence of state aid as regards Poste Italiane's investment in Alitalia.

AGCM (the Antitrust Authority)

On 14 March 2012 the Antitrust Authority launched an investigation of Poste Italiane to establish if the Company has abused its dominant position in the deregulated postal services market. The procedure aims to determine whether or not Poste Italiane provides individual customers with services for which it does not charge VAT, thereby benefitting from an unjustified competitive advantage in being able to offer services exempt from value added tax. On 23 April 2013 Poste Italiane SpA was notified of the Authority's ruling which, in brief, concluded that the national VAT legislation is not in keeping with that of the EU and, accordingly, must be disapplied. While the ruling did not result in any financial sanctions for the Company, it further concluded that Poste Italiane SpA had abused its dominant position by applying discounts – due to the non-application of VAT – that its competitors could not match, and gave the Company 180 days after notification of the ruling to cease the abuse by charging VAT on postal services whose conditions of supply have been negotiated separately. Poste Italiane SpA appealed the Authority's ruling before the Lazio Regional Administrative Court, requesting an injunction suspending its application, and on 4 December 2013 the relevant hearing was held. On 13 December 2013, pending the publication of the decision of the Administrative Court, the Company requested and obtained from the Antitrust Authority a further extension of the above deadline, until the Regional Administrative Court's ruling is registered. On 7 February 2014 the ruling, which rejected Poste Italiane SpA's argument, was registered. Therefore, the Company appealed to the Council of State, at the same time requesting suspension of the Regional Administrative Court's sentence and, accordingly, the Authority's ruling. On 4 April 2014, at the request of the Antitrust Authority, Poste Italiane sent the Authority a report on initiatives adopted to comply with the ruling. On 20 May 2014 the Court convened in chambers before the Council of State to hear the application for interim relief submitted by Poste Italiane regarding suspension of the Regional Administrative Court's sentence and the Authority's ruling. Partly due to the fact that Poste Italiane has already adopted a series of initiatives aimed at complying with the Authority's ruling, the application for relief was not discussed and the case was adjourned to a hearing on its merits, to be scheduled by the Court. Subsequently, the Authority sent Poste Italiane several requests for information for compliance assessment purposes; Poste Italiane followed up with a number of reports, of which the last is currently being prepared. On 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws, based on the approach adopted by the Antitrust Authority. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

On 13 November 2013 the Authority notified Poste Italiane SpA of an investigation of alleged unfair commercial practices pursuant to Legislative Decree 206/2005. This relates to obstacles and delays allegedly put in place by Poste Italiane in not responding promptly to requests from customers to close their current accounts. Poste Italiane responded to the Authority's requests for information, and gave the commitments provided for in art. 27, paragraph 7 of the Consumer Code, with the aim of avoiding a fine, provided that the Authority deems the commitments to be valid. The commitments were then further added to and submitted to the Authority, which responded positively. Having postponed a decision until 10 August 2014, in order to obtain a prior opinion from the Bank of Italy on the commitments put forward by Poste Italiane, on 1 August 2014 the Authority closed the investigation without imposing a fine, having accepted the commitments submitted by Poste Italiane SpA. The commitments given by the Parent Company have prudentially been taken into account when calculating provisions for risks and charges at 31 December 2014.

On 25 July 2012 the Antitrust Authority initiated an investigation of Poste Mobile in order to rule on whether the advertising promoting the "Zero Pensieri Infinito" offering was misleading. Having completed its investigation, on 3 June 2013 the Authority ruled that the business practice in question was unfair, pursuant to articles 20 and 22 of the Consumer Code, and therefore banned its circulation or continuation, imposing an administrative fine of €100 thousand. The Company appealed the ruling before the Lazio Regional Administrative Court which, on 29 August 2013, suspended the order. The hearing on the merits was held on 11 June 2014. The Court's sentence was published on 30 July 2014. The Court has quashed the fine and ordered the company's legal costs be paid.

AGCom (the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector from the Ministry for Economic Development to the Italian Communications Authority (AGCom). In 2012 AGCom launched a number of investigations of the postal sector, some of which were completed during 2013. A summary of the main pending proceedings is provided in the following notes.

- Investigation concerning the "the setting of the price cap for services falling within the scope of the universal service obligation". With a specific resolution dated 24 December 2013, AGcom approved the prices applicable by Poste Italiane SpA, in the period three-year period 2014-2016, for universal postal services, in particular granting the option to increase the existing tariffs for retail and business services. In addition, the resolution introduces new obligations for Poste Italiane in terms of cost accounting for postal services and in the matter of access to the universal postal network. Following an in-depth technical and financial analysis, the Company concluded that there are grounds to appeal to the administrative courts to suspend and overturn the above resolution. The hearing on the merits was adjourned until further notice.

- The investigations concerning the "universal postal service". These concern, for the first time after the transposition into the Italian legal system of the third Postal directive (Directive 2008/6/EC), the quantification of the charge for the Universal Postal Service through application of the so-called "net avoided cost". With this methodology, the net cost amount is calculated as the difference between the net operating costs for a supplier of the designated universal service – when this is an entity required to provide universal service – and net operating costs in the absence of such requirements. On 29 July 2014, the board of AGCom issued Resolution 412/14/CONS, approving the measure defining the method of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. In confirming that the cost of the universal service for 2011 and 2012 is, in certain respects, unfair and thus merits compensation, the resolution quantified the cost for 2011 and 2012, respectively, as €381 million and €327 million, compared to sums recorded originally for approximately €357 million and €350 million (see also note A7.3 in section 3). On 13 November 2014, Poste Italiane SpA challenged this resolution by filing an appeal before the Regional Administrative Court (TAR). On 23 September 2014, the Authority began the process covering the analysis and applicability of the method for allocating and assessing the net cost of the Universal Postal Service for 2013.

Information Commissioner

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €340 thousand on Postel, which the company accounted for in its financial statements for 2013. The company appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation, which was accepted by the judge with a ruling on 16 June 2014.

Bank of Italy

The processes and controls involved in the prevention of money laundering and the financing of terrorism have been further strengthened, with all areas susceptible to money laundering affected as part of a structured review of the system; this has resulted in the gradual release of new components. In particular, the main initiatives to date have involved continuation of the process for acquiring the information needed for "Adequate Checks" and the rollout of the new IT platform to help in the process of flagging potentially suspect transactions and automatically blocking post office transactions at a high risk of money laundering (cash, bank transfers, money transfers), which are to be subjected to enhanced checks and eventually to an authorisation process.

During 2014, Poste Italiane SpA was served 6 notices of alleged violations of anti-money laundering regulations. In response, the Company submitted a defence brief to the MEF for each of the above notices. At 31 December 2014, there are 31 proceedings pending with MEF, including 26 for failure to report suspect transactions and 5 for violation of the regulations limiting the use of cash and bearer securities.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

Following the inspection that took place between 1 April and 14 July 2014, for the purposes of assessing the governance, management and control of investments and financial risks, and compliance with anti-money laundering regulations, on 17 September 2014 IVASS notified Poste Vita of its recommendations and the start of an administrative procedure regarding the alleged violation of four provisions concerning anti-money laundering regulations. The company has submitted defence briefs and the procedure will be closed within two years.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of Legislative Decree 58/98. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. The Parent Company is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures. Following the regulator's comments, the Company is also looking at further corrective actions as part of a specific project coordinated by BancoPosta.

7. BancoPosta RFC Separate Report

for the year ended 31 December 2014

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

at 31 December

(€)

	Assets	2014	2013
10.	Cash and cash equivalents	2,878,161,445	3,077,596,388
20.	Financial assets held for trading	-	-
30.	Financial assets designated at fair value	-	-
40.	Available-for-sale financial assets	28,807,402,339	24,421,114,595
50.	Held-to-maturity financial assets	14,099,685,123	15,221,161,842
60.	Due from banks	916,785,229	375,749,146
70.	Due from customers	8,494,067,543	8,356,600,222
80.	Hedging derivatives	48,600,640	32,087,160
90.	Adjustments for changes in hedged financial assets portfolio (+/-)	-	-
100.	Investments	-	-
110.	Property, plant and equipment	-	-
120.	Intangible assets	-	-
	of which:		
	- goodwill	-	-
130.	Tax assets:	229,993,378	271,167,643
	a) current	*18,574,675*	*12,454,116*
	b) deferred	*211,418,703*	*258,713,527*
	of which Law 214/2011	-	-
140.	Non-current assets (or disposal groups) held for sale and discontinued operations	-	-
150.	Other assets	1,495,140,227	1,349,933,946
	Total assets	**56,969,835,924**	**53,105,410,942**

STATEMENT OF FINANCIAL POSITION

at 31 December

(€)

	Liabilities and equity	2014	2013
10.	Due to banks	5,550,782,949	3,484,111,217
20.	Due to customers	42,567,169,789	43,998,128,205
30.	Debt securities in issue	-	-
40.	Financial liabilities held for trading	-	-
50.	Financial liabilities designated at fair value	-	-
60.	Hedging derivatives	1,720,211,224	470,972,877
70.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
80.	Tax liabilities:	923,749,853	439,053,658
	a) current	*73,187,713*	*60,867,332*
	b) deferred	*850,562,140*	*378,186,326*
90.	Liabilities included in non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	1,973,022,466	1,869,346,143
110.	Employee termination benefits	20,219,104	18,217,384
120.	Provisions for risks and charges:	357,819,174	348,280,812
	a) post-employment benefit	-	-
	b) other provisions	*357,819,174*	*348,280,812*
130.	Valuation reserves	1,618,206,800	504,280,433
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	1,798,990,000	1,598,990,000
170.	Share premium reserve	-	-
180.	Share capital	-	-
190.	Treasury shares (-)	-	-
200.	Profit/(Loss) for the year (+/-)	439,664,565	374,030,213
	Total liabilities and equity	**56,969,835,924**	**53,105,410,942**

INCOME STATEMENT

for the year ended 31 December

(€)

	Income/(Expense)	2014	2013
10.	Interest and similar income	1,662,188,499	1,750,865,361
20.	Interest and similar expense	(123,179,869)	(226,845,754)
30.	**Net interest income**	**1,539,008,630**	**1,524,019,607**
40.	Fee and commission income	3,561,000,076	3,563,892,620
50.	Fee and commission expense	(49,121,948)	(45,015,441)
60.	**Net fee and commission income**	**3,511,878,128**	**3,518,877,179**
70.	Dividends and similar income	404,203	97,715
80.	Profits/(Losses) on trading	2,315,175	22,917,461
90.	Fair value adjustments in hedge accounting	(1,028,474)	1,017,928
100.	Profits/(Losses) on disposal or repurchase of:	381,488,236	286,618,120
	a) loans and advances	-	-
	b) available-for-sale financial assets	*381,488,236*	*285,614,408*
	c) held-to-maturity financial assets	-	*1,003,712*
	d) financial liabilities	-	-
110.	Profits/(Losses) on financial assets/liabilities designated at fair value	-	-
120.	**Net interest and other banking income**	**5,434,065,898**	**5,353,548,010**
130.	Net losses/recoveries on impairment of:	215,152	(8,657,057)
	a) loans and advances	*215,152*	*(8,657,057)*
	b) available-for-sale financial assets	-	-
	c) held-to-maturity financial assets	-	-
	d) other financial transactions	-	-
140.	**Net income from banking activities**	**5,434,281,050**	**5,344,890,953**
150.	Administrative expenses:	(4,692,953,805)	(4,615,460,916)
	a) personnel expenses	*(90,792,283)*	*(88,124,611)*
	b) other administrative expenses	*(4,602,161,522)*	*(4,527,336,305)*
160.	Net provisions for risks and charges	(31,131,915)	(81,665,275)
170.	Net losses/recoveries on property, plant and equipment	-	-
180.	Net losses/recoveries on intangible assets	-	-
190.	Other operating income/(expenses)	(18,838,733)	(20,451,618)
200.	**Operating expenses**	**(4,742,924,453)**	**(4,717,577,809)**
210.	Profits/(Losses) on investments	-	-
220.	Profits/(Losses) on fair value valuation of property, plant and equipment and intangible assets	-	-
230.	Impairment of goodwill	-	-
240.	Profits/(Losses) on disposal of investments	-	-
250.	**Income/(Loss) before tax from continuing operations**	**691,356,597**	**627,313,144**
260.	Taxes on income from continuing operations	(251,692,032)	(253,282,931)
270.	**Income/(Loss) after tax from continuing operations**	**439,664,565**	**374,030,213**
280.	Income/(Loss) after tax from discontinued operations	-	-
290.	**Profit/(Loss) for the year**	**439,664,565**	**374,030,213**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

(€)

	Income/(Expense)	2014	2013
10.	**Profit/(Loss) for the year**	**439,664,565**	**374,030,213**
	Other components of comprehensive income after taxes not reclassified to profit or loss		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(1,680,402)	776,455
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserve attributable to equity-accounted investments	-	-
	Other components of comprehensive income after taxes reclassified to profit or loss		
70.	Hedges of foreign investments	-	-
80.	Foreign exchange differences	-	-
90.	Cash flow hedges	66,210,759	107,025,488
100.	Available-for-sale financial assets	1,049,396,010	470,903,966
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserve attributable to equity-accounted investments	-	-
130.	**Total other components of comprehensive income after taxes**	**1,113,926,367**	**578,705,909**
140.	**Comprehensive income (Items 10+130)**	**1,553,590,932**	**952,736,122**

STATEMENT OF CHANGES IN EQUITY

(€)

	at 31 December 2014									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other (*)					
Closing balances at 31 December 2013	**-**	**-**	**-**	**598,990,000**	**1,000,000,000**	**504,280,433**	**-**	**-**	**374,030,213**	**2,477,300,646**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Opening balances at 1 January 2014	**-**	**-**	**-**	**598,990,000**	**1,000,000,000**	**504,280,433**	**-**	**-**	**374,030,213**	**2,477,300,646**
Attribution of retained earnings	**-**	**-**	**-**	**200,000,000**	**-**	**-**	**-**	**-**	**(374,030,213)**	**(174,030,213)**
Reserves	-	-	-	200,000,000	-	-	-	-	(200,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(174,030,213)	(174,030,213)
Movements during the year	**-**	**-**	**-**	**-**	**-**	**1,113,926,367**	**-**	**-**	**439,664,565**	**1,553,590,932**
Movements in reserves	-	-	-	-	-	-	-	-	-	-
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2014	-	-	-	-	-	1,113,926,367	-	-	439,664,565	1,553,590,932
Equity at 31 December 2014	**-**	**-**	**-**	**798,990,000**	**1,000,000,000**	**1,618,206,800**	**-**	**-**	**439,664,565**	**3,856,861,365**

(€)

	at 31 December 2013									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other (*)					
Closing balances at 31 December 2012	**-**	**-**	**-**	**256,327,637**	**1,000,000,000**	**(74,425,476)**	**-**	**-**	**342,662,363**	**1,524,564,524**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Opening balances at 1 January 2013	**-**	**-**	**-**	**256,327,637**	**1,000,000,000**	**- 74,425,476**	**-**	**-**	**342,662,363**	**1,524,564,524**
Attribution of retained earnings	**-**	**-**	**-**	**342,662,363**	**-**	**-**	**-**	**-**	**- 342,662,363**	**-**
Reserves	-	-	-	342,662,363	-	-	-	-	(342,662,363)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	-	-
Movements during the year	**-**	**-**	**-**	**-**	**-**	**578,705,909**	**-**	**-**	**374,030,213**	**952,736,122**
Movements in reserves	-	-	-	-	-	-	-	-	-	-
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2013	-	-	-	-	-	578,705,909	-	-	374,030,213	952,736,122
Equity at 31 December 2013	**-**	**-**	**-**	**598,990,000**	**1,000,000,000**	**504,280,433**	**-**	**-**	**374,030,213**	**2,477,300,646**

(*)This item corresponds to the BancoPosta RFC reserve.

STATEMENT OF CASH FLOWS

for the year ended 31 December

Indirect method

(€)

	2014	2013
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**599,268,586**	**657,757,037**
- profit/(loss) for the year (+/-)	439,664,565	374,030,213
- gains/(losses) on financial assets held for trading and on assets and liabilities designated at fair value (-/+)	(664,551)	(1,397,098)
- gains/(losses) on hedging activities (-/+)	1,028,474	(1,017,928)
- net losses/recoveries on impairment (+/-)	(215,152)	8,657,057
- net losses/recoveries on property, plant and equipment (+/-)	-	-
- net provisions and other expenses/income (+/-)	342,591,023	462,299,444
- unpaid taxes and duties (+)	59,873,776	57,899,510
- net losses/recoveries on disposal groups after tax (+/-)	-	-
- other adjustments (+/-)	(243,009,549)	(242,714,161)
2. Cash flow from/(used for) financial assets	**(2,114,996,699)**	**330,937,385**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- available-for-sale financial assets	(1,292,166,718)	(1,250,108,523)
- due from banks: on demand	5,645,758	1,358,543
- due from banks: other	(546,017,289)	150,168,392
- due from customers	(137,252,169)	1,542,225,322
- other assets	(145,206,281)	(112,706,349)
3. Cash flow from/(used for) financial liabilities	**386,974,657**	**91,022,928**
- due to banks: on demand	6,817,232	(160,900,150)
- due to banks: other	2,059,854,500	161,257,038
- due to customers	(1,430,958,418)	536,023,769
- debt securities in issue	-	-
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(248,738,657)	(445,357,729)
Net cash flow from/(used for) operating activities	**(1,128,753,456)**	**1,079,717,350**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,206,000,000**	**2,680,642,082**
- disposal of investments	-	-
- dividends received on investments	-	-
- disposal of held-to-maturity financial assets	1,206,000,000	2,680,642,082
- disposal of property, plant and equipment	-	-
- disposal of intangible assets	-	-
- disposal of business division	-	-
2. Cash flow used for	**(102,651,274)**	**(3,863,296,164)**
- acquisition of investments	-	-
- acquisition of held-to-maturity financial assets	(102,651,274)	(3,863,296,164)
- acquisition of property, plant and equipment	-	-
- acquisition of intangible assets	-	-
- acquisition of business division	-	-
Net cash flow from / (used for) investing activities	**1,103,348,726**	**(1,182,654,082)**
C. FINANCING ACTIVITIES		
- issuance/purchase of own shares	-	-
- issuance/purchase of equity instruments	-	-
- dividends and other payments	(174,030,213)	-
Net cash flow from / (used for) financing activities	**(174,030,213)**	**-**
NET CASH FLOW GENERATED / (USED) DURING THE YEAR	**(199,434,943)**	**(102,936,732)**

KEY:
(+) from
(-) used for

RECONCILIATION

for the year ended 31 December

(€)

Item	2014	2013
Cash and cash equivalents at beginning of the year	3,077,596,388	3,180,533,120
Net cash flow generated/(used) during the year	(199,434,943)	(102,936,732)
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at end of the year	2,878,161,445	3,077,596,388

NOTES

Part A - Accounting policies

A.1 – General

Section 1 – Declaration of compliance with International Financial Reporting Standards

The Separate Report has been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These were endorsed for application in the European Union by European Regulation (EC) 1606/2002 of 19 July 2002, as transposed into Italian law by Legislative Decree 38 of 28 February 2005 governing the introduction of IFRS into Italian legislation. The term "IFRS" means all International Financial Reporting Standards, all International Accounting Standards ("IAS"), and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC") endorsed for application in the European Union by EU Regulations issued prior to 23 March 2015, the date on which the Board of Directors of Poste Italiane SpA approved the BancoPosta RFC Separate Report as part of the Company's Annual Report.

Accounting standards and interpretations applicable from 1 January 2014

The following amendments, interpretations and revisions are applicable from 1 January 2014:

- IAS 27 - *Separate Financial Statements*, amended with (EU) Regulation 1254/2012. The amendments introduced involve the extrapolation and transfer to a new dedicated standard (IFRS 10 – *Consolidated financial statements*) of the rules on the preparation of consolidated financial statements. In this way, the new IAS 27 provides for the preparation of the separate financial statements only and, in this respect, it is substantially unchanged from the previous version.
- IAS 28 - *Investments in Associates and Joint Ventures*, amended with (EU) Regulation 1254/2012. This standard was amended with the introduction of the application of the equity method to account for investments in joint ventures.
- IFRS 10 - *Consolidated Financial Statements*, adopted with (EU) Regulation 1254/2012. The new standard lays down the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions contained formerly in IAS 27 – *Consolidated and Separate Financial Statements* and in SIC 12 – *Special Purpose Entities (Investment Vehicles)*. The new standard redefines control as the only basis of consolidation of all types of entities, eliminates certain inconsistencies or interpretative doubts between IAS 27 and SIC 12 and, lastly, defines clear and specific rules to identify "de facto control".
- IFRS 11 - *Joint Arrangements*, adopted with (EU) Regulation 1254/2012. The new standard establishes rules for accounting for jointly controlled entities, replacing IAS 31 – *Investments in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 also lays out the criteria for identifying joint arrangements on the basis of rights and obligations deriving from the arrangements, more than the legal form of such arrangements, and does not permit, unlike IAS 31, proportionate consolidation as a method to account for investments in joint ventures.

- IFRS 12 - *Disclosure of Interests in Other Entities,* adopted with (EU) Regulation 1254/2012. IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard summarises all the disclosures that an entity is required to make to allow financial statement users to assess the nature and risks deriving from its investments in other entities, and the effects of such investments on the statement of financial position, operating performance and cash flows.
- IAS 32 - *Financial Instruments: Presentation –Offsetting Financial Assets and Liabilities*, amended with (EU) Regulation 1256/2012. Following the amendment to IFRS 7, IAS 32 (*revised)* provides additional guidance to reduce inconsistencies in the application of this standard.
- Amendments to IFRS 10, IFRS 12 and IAS 27 adopted with (EU) Regulation 1174/2013. To set out rules on Investment Entities, the following standards were amended:
  - IFRS 10, amended to require investment entities to measure their subsidiaries at their fair value through profit or loss instead of consolidating them, to better reflect their business model;
  - IFRS 12, amended to require specific disclosures about the subsidiaries of investment entities;
  - IAS 27, amended to eliminate the possibility for investment entities to opt for the valuation at cost of certain subsidiaries, requiring their recognition at fair value in their separate financial statements.
- IAS 36 - *Impairment of Assets*, amended with (EU) Regulation 1374/2013. The amendments intend to clarify that the disclosures on the recoverable amount of assets, when such amount is based on fair value less costs to sell, concern only impaired assets.
- IAS 39 – *Financial Instruments: Recognition and Measurement*, amended with (EU) Regulation 1375/2013. The amendments provide for situations where derivatives designated as hedges are novated from one counterparty to another central counterparty, as a result of laws or regulation. In particular, in these cases hedge accounting can continue regardless of novation.

The international accounting and financial reporting standards to be adopted in the near future are listed in the following table.

New accounting standards and interpretations soon to be effective

Commission regulation	Title	Effective date
634/2014	IFRIC 21 - *Levies*	1 Jan 2015
1361/2014	Annual improvements cycle 2011-2013	1 Jan 2015
28/2015	Annual improvements cycle 2010-2012	1 Jan 2016
29/2015	Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*	1 Jan 2016

New accounting standards not yet endorsed and Exposure Drafts

IAS/IFRS	Title	Publication date
IFRS 9	Financial Instruments	24 July 2014
IFRS 14	Regulatory Deferral Accounts	30 Jan 2014
IFRS 15	Revenue from Contracts with Customers	28 May 2014
Amendments to IFRS 10 - IFRS 12 - IAS 28	Investment Entities – Applying the Exception to Consolidation	18 Dec 2014
Amendments to IAS 1	Disclosures	18 Dec 2014
IFRS 5 - IFRS 7 - IAS 19 - IAS 34	IFRS Annual Improvements - Cycle 2012 - 2014	25 Sept 2014
Amendments to IFRS 10 - IAS 28	Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture	16 July 2014
Amendments to IAS 27	Equity Method in Separate Financial Statements	12 Aug 2014
Amendments to IAS 16 - IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	12 May 2014
Amendments to IFRS 11	Joint Arrangements: Acquisition of an Interest in a Joint Operation	06 May 2014
IFRS 2	*Exposure Draft "Classification and Measurement of Share-based Payment Transactions"*	25 Nov 2014*
IFRS 10 - IFRS 12 - IAS 27 - IAS 28 - IAS 36	*Exposure Draft "Fair Value Measurement of Quoted Investments in Subsidiaries, Joint Ventures and Associates"*	16 Sept 2014*
IAS 12	*Exposure Draft "Recognition of Deferred Tax Assets for Unrealised Losses"*	20 Aug 2014*
-	*Discussion Paper "Conceptual Framework for Financial Reporting"*	18 July 2013
IFRS 4	*Exposure Draft "Insurance Contracts"*	24 July 2013*
IAS 17	*Exposure Draft "Leases"*	16 May 2013*
IAS 1	*Exposure Draft "Classification of Liabilities"*	10 Feb 2015*

* Publication date of most recent exposure draft.

The potential impact on the BancoPosta RFC's Separate Report of the accounting standards, amendments and interpretations due to come into effect is currently being examined and assessed.

Section 2 – Basis of preparation

The Separate Report has been prepared in application of Bank of Italy Circular 262 of 22 December 2005 - *Banks' Financial Statements: Layouts and Preparation*, as amended, and of art. 2447 *septies*, paragraph 2, of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2014, has been prepared in euros and consists of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The statement of financial position, income statement and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the statement of financial position, income statement and statement of comprehensive income for the sake of completeness. The statement of cash flows has been prepared using the indirect method[81]. All figures in the notes are stated in thousands of euro. Notes and account analysis have not been included for nil balances.

Certain reclassifications have been made in the financial statements and notes to assure the consistency of comparatives with the figures for 2014.

The Separate Report forms an integral part of Poste Italiane SpA's financial statements and has been prepared on a going concern basis in that BancoPosta's operations are certain to continue in the foreseeable future. BancoPosta's

[81] Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

accounting policies, described in the Separate Report, are the same as those adopted by Poste Italiane SpA and are relevant to all of BancoPosta RFC's operations.

Section 3 - Events after the end of the reporting period

Events after the end of the reporting period have all been described in the notes and no other material events occurred subsequent to 31 December 2014.

Section 4 - Other Information

4.1 Intersegment transactions

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions") are recognised in the statement of financial position at 31 December 2014 as shown below:

(€)		At 31 December 2014	of which intersegment	At 31 December 2013	of which intersegment
	Assets				
10.	Cash and cash equivalents	2,878,161,445	-	3,077,596,388	-
40.	Available-for-sale financial assets	28,807,402,339	-	24,421,114,595	-
50.	Held-to-maturity financial assets	14,099,685,123	-	15,221,161,842	-
60.	Due from banks	916,785,229	-	375,749,146	-
70.	Due from customers	8,494,067,543	66,139,119	8,356,600,222	382,726,886
80.	Hedging derivatives	48,600,640	-	32,087,160	-
130.	Tax assets	229,993,378	-	271,167,643	-
150.	Other assets	1,495,140,227	-	1,349,933,946	-
	A Total assets	**56,969,835,924**	**66,139,119**	**53,105,410,942**	**382,726,886**
	Liabilities and equity				
10.	Due to banks	5,550,782,949	-	3,484,111,217	-
20.	Due to customers	42,567,169,789	221,979,419	43,998,128,205	155,277,182
60.	Hedging derivatives	1,720,211,224	-	470,972,877	-
80.	Tax liabilities	923,749,853	-	439,053,658	-
100.	Other liabilities	1,973,022,466	307,991,636	1,869,346,143	380,015,724
110.	Employee termination benefits	20,219,104	-	18,217,384	-
120.	Provisions for risks and charges	357,819,174	-	348,280,812	-
130.	Valuation reserves	1,618,206,800	-	504,280,433	-
160.	Reserves	1,798,990,000	-	1,598,990,000	-
200.	Profit/(Loss) for the year (+/-)	439,664,565	-	374,030,213	-
	B Total liabilities and equity	**56,969,835,924**	**529,971,055**	**53,105,410,942**	**535,292,906**
	A-B Net intersegment balances		**(463,831,936)**		**(152,566,020)**

Separate *General Operating Guidelines* have been developed and approved by Poste Italiane SpA's Board of Directors which, in implementation of *BancoPosta RFC's Regulation*, identify the services provided by Poste Italiane SpA functions to BancoPosta and determine the manner in which they are remunerated. Costs are allocated by transfer pricing. For 2014, these prices were determined with reference to:

- market prices for similar services, i.e., the free market comparable price method; or
- cost plus a mark-up, i.e., the cost plus method, when market prices are not available for the particular type of services provided by Poste Italiane SpA. Costs are determined by unbundling total costs similar to the process used for the regulatory accounting records of the Universal Postal Service. The propriety of the method was reviewed by the auditors retained to conduct the statutory audit of Poste Italiane SpA. The mark-up is determined taking into account the market prices of BancoPosta's principal services.

This method is in the process of being revised for 2015.

4.2 Relations with the authorities

AGCM (The Antitrust Authority)

On 13 November 2013, the Authority notified Poste Italiane SpA, of an investigation of BancoPosta RFC for alleged unfair commercial practices pursuant to Legislative Decree 206/2005. This relates to obstacles and delays allegedly put in place by BancoPosta in not responding promptly to requests from customers to close their current accounts.

Poste Italiane responded to the Authority's requests for information, and gave the commitments provided for in art. 27, paragraph 7 of the Consumer Code, with the aim of avoiding a fine. Having postponed a decision until 10 August 2014, in order to obtain a prior opinion from the Bank of Italy on the commitments put forward by Poste Italiane, on 1 August 2014 the Authority closed the investigation without imposing a fine, having accepted the commitments submitted by Poste Italiane SpA. The commitments given by the Parent Company have prudentially been taken into account when calculating provisions for risks and charges at 31 December 2014.

Bank of Italy

The processes and controls involved in the prevention of money laundering and the financing of terrorism have been further strengthened, with all areas susceptible to money laundering affected as part of a structured review of the system; this has resulted in the gradual release of new components. In particular, the main initiatives to date have involved continuation of the process for acquiring the information needed for "Adequate Checks" and the rollout of the new IT platform to help in the process of flagging potentially suspect transactions and automatically blocking post office transactions at a high risk of money laundering (cash, bank transfers, money transfers), which are to be subjected to enhanced checks and eventually to an authorisation process.

During 2014, Poste Italiane SpA was served 6 notices of alleged violations of anti-money-laundering regulations by BancoPosta RFC. In response, BancoPosta RFC submitted a defence brief to the MEF for each of the above notices. At 31 December 2014, there are 31 proceedings pending with MEF, including 26 for failure to report suspect transactions and 5 for violation of the regulations limiting the use of cash and bearer securities.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of Legislative Decree 58/98. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. BancoPosta RFC is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures. Following the regulator's comments, BancoPosta RFC is also looking at further corrective actions as part of a specific project.

A.2 – Part relating to principal financial statement items

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

1 - Financial assets held for trading

a) recognition

Financial assets held for trading are initially recognised on the settlement date for debt and equity securities, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Any changes in fair value occurring between the trade and settlement dates are recognised in the Separate Report.

b) classification

This category includes debt and equity instruments acquired primarily to obtain a short-term profit as the result of changes in their prices and the positive value of derivative contracts unless designated as hedging instruments.

c) measurement and recognition of gains and losses

Financial assets held for trading are recognised at fair value with any changes in fair value recognised in profit or loss in line item 80 - Profits/(Losses) on trading. Derivatives are accounted for either as assets or liabilities depending on whether their fair value is positive or negative.

d) derecognition

Financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or when the financial asset is sold and all risks and rewards relating to the financial asset are substantially transferred.

2 - Available-for-sale financial assets

a) recognition

Available-for-sale financial assets are initially recognised on the settlement date at fair value which is generally the price paid. Any changes in fair value occurring between the trade and settlement dates are recognised in the Separate Report. If, exceptionally, recognition is the result of the reclassification of Held-to-maturity assets, recognition is at fair value at the time of the reclassification. Any difference in the initial amount at which debt securities are recognised and the amount of repayments is amortised over the term of the security.

b) classification

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not attributable to any other category described in paragraphs 1, 3 and 4.

c) recognition and measurement

Available-for-sale financial assets are recognised at fair value and any resulting fair value gains or losses are recognised in an equity reserve. This reserve is only recycled to profit or loss when the financial asset is effectively disposed of (or settled) or, in the event of accumulated losses, when there is evidence that the impairment recognised in equity cannot be recovered.. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after the impairment loss was recognised in profit or loss, the value of the financial instrument is reinstated and the reversal recognised in profit or loss.. The recognition of returns on debt securities under the amortised cost method[82] takes place through profit or loss, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific equity reserve.

d) derecognition

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[82] The amortised cost of a financial asset or liability is the amount at which the asset or liability is initially recognised less any repayments of principal, plus or minus accumulated amortisation, in application of the effective interest rate method, of all differences between the amount initially recognised and the amount repayable on maturity less any impairment due to insolvency or any other reason. The effective interest rate is the rate that exactly discounts contractual (or expected) future cash payments or receipts over the expected life of the asset or liability to its initial carrying amount. Calculation of amortised cost must also include external costs and income directly attributable to the asset or liability on initial recognition.

Available-for-sale financial assets are derecognised when the contractual rights to the cash flows of those financial assets cease or on the disposal of the financial asset and substantially all risks and rewards relating to the financial asset are transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

3 - Held-to-maturity financial assets

a) recognition

Held-to-maturity financial assets are initially recognised on settlement date. They are initially recognised at fair value which is generally the price paid. When recognition in this category arises in connection with the reclassification of available-for-sale financial assets, the fair value of the asset at the date of reclassification is deemed to be the asset's amortised cost.

b) classification

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and maturities that BancoPosta RFC has a positive intention and ability to hold to maturity.

c) measurement and recognition of gains and losses

Held-to-maturity financial assets are measured at amortised cost using the effective interest rate method adjusted for any impairments. Any gains or losses are recognised in profit or loss in line item 10 - Interest and similar income. In the event that there is objective evidence of an impairment, the impairment loss recognised as the amount that would equate the carrying amount to the present value of the projected cash flows. Any impairment loss is then recognised in profit or loss. If, subsequently, the reasons giving rise to the impairment cease to exist, the impairments are reversed to reinstate the amortised cost that would have been the carrying amount if there had been no impairment.

d) derecognition

Held-to-maturity financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

4 – Loans and receivables

a) classification and recognition

Loans and advances are non-derivative, unlisted financial instruments largely consisting of deposits at the Ministry of the Economy and Finance (the MEF) which are expected to generate income of fixed amounts or which can be determined. Receivables relate to operations and are trade in nature. Loans and advances are recognised on settlement whereas receivables are recognised on the relevant invoice date.

b) measurement and recognition of gains and losses

Receivables, loans and advances are carried at amortised cost determined using the effective interest rate method adjusted for any impairment. Impairments are recognised as described in the note on held-to-maturity financial assets.

c) derecognition

Receivables, loans and advances are derecognised when the contractual rights to the cash flows of those financial assets lapse or on disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred.

6 – Hedges

a) classification and recognition

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedge:

- fair value hedges reduce or eliminate exposure to risk that could potentially cause movements in the fair value of a recognised balance sheet item;
- cash flow hedges reduce or eliminate exposures to fluctuations in future cash flows attributable to specific risks associated with recognised balance sheet items.

b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and throughout the term of the hedge.

- *Fair value hedge*[83]

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in line item 90 - Fair value adjustments in hedge accounting.

- *Cash flow hedge*[84]

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (Cash flow hedge reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as, the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

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[83] A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.

[84] A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line item 90 - Fair value adjustments in hedge accounting. If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassifiedin line item 80 – Profits/(Losses) on trading, for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

11 - Deferred and current taxation

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity.

BancoPosta RFC is not a separate legal person and is not either directly or indirectly assessable to taxes. BancoPosta's share of taxes on Poste Italiane SpA's overall income is charged to BancoPosta RFC based on the profit or loss presented in this Separate Report adjusted for deferred taxation. In particular:

- for IRES, the computation takes all permanent and temporary changes in BancoPosta's operations into account. Any items not directly relating to BancoPosta are included in the Poste Italiane computation;
- for IRAP, the computation is made in the same way, except that taxes on employment costs and tax payments are allocated to BancoPosta RFC using the standard unbundling techniques for the regulatory books of the mandatory Universal Postal Service, as examined by Poste Italiane SpA's independent auditors as part of the statutory audit.

Tax assets and liabilities presented in the Separate Report will be settled directly through the intercompany account with Poste Italiane SpA, which is the entity officially assessed to taxes.

12 - Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management’s best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability. In those rare cases, in which disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC’s position in a dispute or in ongoing negotiations with third parties, BancoPosta RFC exercises the option granted by the relevant accounting standards to provide limited disclosure.

13 - Due to banks, Due to customers and Debt securities in issue

a) classification and recognition

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. Due to banks and customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost employing the effective interest rate method. The carrying amounts of payables are restated in the event of a change in projected cash flows which can be reliably estimated. The restated carrying amount is that present value of projected cash flows discounted at the original internal rate of return.

c) derecognition

Financial liabilities are derecognised when repaid or in the event that BancoPosta RFC transfers all liabilities and charges associated with the relevant instrument.

14 - Financial liabilities held for trading

a) classification and recognition

Financial liabilities held for trading consist either of derivatives which do not qualify for classification as hedging instruments in accordance with accounting standards or originally obtained as a hedge which was subsequently discontinued. Financial liabilities held for trading are recognised on the derivative contract date.

b) measurement

Financial liabilities held for trading are carried at fair value though profit or loss.

c) derecognition

Financial liabilities held for trading are derecognised on the cessation of rights to the cash flows associated with the liability.

d) recognition of gains and losses

Gains and losses arising from movements in the fair value of financial liabilities held for trading are recognised in profit or loss in line item 80– Profits/(Losses) on trading.

16 - Foreign currency transactions

a) recognition

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

c) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:

- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate;
- non-monetary items designated at fair value at closing exchange rates.

Foreign exchange differences realised on settlement or translation differences arising from the use of exchange rates other than the rate used to translate the item on initial recognition are recognised in profit or loss in line item 80 - Profits/(Losses) on trading.

17 - Other information

Revenue Recognition

Revenue is recognised at the fair value of the consideration received, net of rebates and discounts, and in accordance with the accruals basis of accounting. Specifically:

- interest is evenly accrued over time at the contractual rate of interest or, for items carried at amortised cost, the effective interest rate;
- dividends are recognised when the right to receive payment is established, which generally corresponds with approval of the distribution by the shareholders of the investee company;
- service fee income is recognised in accordance with the underlying contracts in the period in which the services are rendered. Fees, less associated costs, are recognised on a percentage of completion basis to the extent that there is reasonable certainty that they will be paid. Fees on activities carried out in favour of or on behalf of the state and public sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and those entities, including joint ventures, controlled by the MEF, and associates of such entities. Related parties also include Poste Italiane SpA's key management personnel. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

Employee benefits

Short-term benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits, to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

Post-employment benefits

There are two types of post-employment benefit: defined contribution and defined benefit plans.

Since, for defined benefit plans, the amount of benefits payable can only be determined subsequent to the cessation of employment, the related cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19.

Under defined contribution plans, contributions payable are recognised in profit or loss when incurred, based on the nominal value.

- Defined benefit plans

  Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code. Benefits vesting up to 31 December 2006[85], which are covered by the reform of supplementary pension provision, must, from 1 January 2007, be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly the BancoPosta RFC's defined benefit liability is applicable only to the provisions made up to 31 December 2006.

  The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. As the BancoPosta RFC is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

- Defined contribution plans

  Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Defined contribution plans do not generate future economic benefits for the entity and should, consequently, be immediately recognised in profit or loss as personnel expenses.

Termination benefits

Termination benefits payable to employees are recognised as a liability when BancoPosta RFC decides to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employment benefits

[85] Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Company has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested emplyee termination benefits have been paid into a supplementary pension fund.

Other long-term employment benefits consist of benefits not payable within twelve months of the reporting period, during which the employees provided their services. Generally, there is not the same degree of uncertainty regarding the measurement of other long-term employee benefits as there is in relation to post-employment benefits. As a result, IAS 19 permits use of a simplified method of accounting: the net change in the value of the liability during the reporting period is recognised in full in profit or loss. Measurement of the other long-term employee benefits liability is recognised in the financial statements based on calculations performed by independent actuaries.

Classification of costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence, which include a portion of the fees paid included in the transfer prices charged in accordance with the operating guidelines for Poste Italiane's commercial network, are normally recognised on line 150 b) - Other administrative expenses.

Use of estimates

Preparation of the Separate Report requires the application of accounting standards and methods that are at times based on complex subjective judgements and estimates, based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements, with reference to the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the notes. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised, if the revision only influences the current period, or also in future periods, if the revision influences both current and future periods.

This section provides a description of accounting treatments thatrequire the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on BancoPosta RFC's Separate Report.

- **Deferred tax assets**

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

- **Fair value of unquoted financial instruments**

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers or on internal valuation techniques which estimate the transaction price on the measurement date in an arm's length exchange motivated by normal business considerations. The valuation models are primarily based on market variables, considering where possible, the prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk. Further details on the techniques used to measure the fair value of unquoted financial instruments are contained in Part A, Section A.4.1.

- **Impairments/recoveries of loans and receivables**

BancoPosta RFC is prohibited by Presidential Decree 144 of 14 March 2001 from making loans to customers. Impairments and recoveries of loans and receivables, consequently, relate exclusively to unpaid trade receivables.

Impairments and reversals are made with reference to assessments of credit risk based on historical experience of similar receivables, an analysis of past due items (current and historical), losses and collections and the monitoring of the current and future economic conditions in the related markets. Given the unpredictability of the method and the timing of the settlement of accounts receivable by the government and the Public Sector, including the MEF, and notwithstanding the legal enforceability of BancoPosta RFC's claims, the provisions for doubtful debts reflect the best estimate of the financial impact of expected collection periods or legislation restricting government spending.

- **Provisions for risks and charges**

Provisions for risks and charges represent probable liabilities in connection with personnel, customers, suppliers and, in general, third-party disputes and expenses. The amounts of the provisions are based, among other things, on the estimated cost of operating contingencies, such as disputes with customers regarding investment products of a nature and/or performance deemed by customers to be inconsistent with their expectations, seizures incurred and not yet definitively assigned, and the likelihood of paying compensation to clients in those cases where there is no definitive ascertainment.

Determination of the amounts to be provided involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing these financial statements.

A.3 – Information on transfers between financial asset portfolios

There were no transfers between portfolios.

A.4– Information on fair value

Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level.

In compliance with IFRS 13 - *Fair Value Measurement*, as adopted by EU Regulation 1255/2012 of 11 December 2012, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels:

Level 1: this level is comprised of fair values determined with reference to prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the valuation of which is based on the bid prices quoted on the MTS (wholesale electronic market for government securities). Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of BancoPosta RFC's operations the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premia, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and, any liquidity adjustments by primary market counterparties.

For BancoPosta RFC, these include the following types of financial instrument:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or not at all: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an inactive market.
- Unquoted equities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the price differentials of class B and C ordinary shares from listed class A ordinary shares.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valuation is based on discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation)and the computation of the present value of future differentials are carried out using techniques commonly used in capital market.
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measure using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.

  The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by BancoPosta RFC.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual

cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty credit risk.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed. BancoPosta RFC does not hold positions carried at fair value in a recurring basis and falling within this level of the hierarchy.

A.4.2 Processes and sensitivity of measurements

BancoPosta RFC has no recurring fair value measurements determined with reference to unobservable inputs.

A.4.3 Fair value hierarchy

There were no occurrences during the year resulting in a requirement to transfer financial assets and liabilities measured at fair value on a recurring basis between levels 1 and 2 of the fair value hierarchy.

A.4.4 Other information

There is no need to provide additional disclosures as required by IFRS 13, paragraphs 51, 93(i) and 96.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Financial assets and liabilities with recurring fair value measurements by fair value level

Financial assets/liabilities at fair value	At 31 December 2014			At 31 December 2013		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets designated at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	28,601,539	205,747	117	24,254,626	166,372	117
4. Hedging derivatives	-	48,601	-	-	32,087	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**28,601,539**	**254,348**	**117**	**24,254,626**	**198,459**	**117**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,720,212	-	-	470,973	-
Total	**-**	**1,720,212**	**-**	**-**	**470,973**	**-**

(*) Notes on the position are provided in Part B, Assets, Table 4.1.

The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for the counterparty's credit risk (Part A, Section A.4.1).

A.4.5.2 Movements during the year in financial assets with recurring fair value measurements (Level 3)

	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**-**	**-**	**117**	**-**	**-**	**-**
2. Increases	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-
2.2. Profit recognition:	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-
- of which gains	-	-	-	-	-	-
2.2.2. Equity	x	x	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-
3.1. Disposals	-	-	-	-	-	-
3.2. Repayments	-	-	-	-	-	-
3.3. Impairment recognition:	-	-	-	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-
- of which loss	-	-	-	-	-	-
3.3.2. Equity	x	x	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
4. Closing balance	**-**	**-**	**117**	**-**	**-**	**-**

A.4.5.3 Movements during the year in financial liabilities with recurring fair value measurements (Level 3)

Nil.

A.4.5.4 Assets and liabilities not designated at fair value or with non-recurring fair value measurements by fair value level

Assets/Liabilities not designated at fair value or with non-recurring fair value measurements	Total at 31 December 2014				Total at 31 December 2013			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Held-to-maturity financial assets	14,099,685	16,263,412	-	-	15,221,162	16,013,783	-	-
2. Due from banks	916,785	-	-	916,785	375,749	-	-	375,749
3. Due from customers	8,494,068	-	-	8,494,068	8,356,600	-	-	8,356,600
4. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
5. Non-current assets (or disposal groups) held for sale	-	-	-	-	-	-	-	-
Total	**23,510,538**	**16,263,412**	**-**	**9,410,853**	**23,953,511**	**16,013,783**	**-**	**8,732,349**
1. Due to banks	5,550,783	-	5,253,776	320,254	3,484,111	-	3,208,359	290,987
2. Due to customers	42,567,170	-	408,799	42,158,531	43,998,128	-	1,735,153	42,268,272
3. Debt securities in issue	-	-	-	-	-	-	-	-
4. Liabilities included in non-current assets held for sale and discontinu	-	-	-	-	-	-	-	-
Total	**48,117,953**	**-**	**5,662,575**	**42,478,785**	**47,482,239**	**-**	**4,943,512**	**42,559,259**

A.5 – Information on "day one profit/loss"

IAS 39 requires financial instruments to be initially recognised at fair value, which is equal to the "transaction price". The fair value of financial instruments not designated at fair value through profit or loss at the date of recognition normally coincides with the transaction price (the amount collected or paid). In the case of financial instruments designated at fair value through profit or loss and classifiable in level 3 (fair value determined with reference to unobservable inputs), any difference between the fair value and the transaction price generates a so-called "day one profit/loss". This difference is recognised in profit or loss if it arises from changes in the factors on which market participants base their considerations in setting prices (including time). This form of profit or loss is not applicable to BancoPosta RFC.

Part B – Information on the statement of financial position

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: analysis

	Balance at 31 December 2014	Balance at 31 December 2013
a) Cash	2,759,719	2,604,282
b) Central bank deposits	118,442	473,314
Total	**2,878,161**	**3,077,596**

The sub-item "Cash" is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash includes banknotes totalling €6,747 thousand.

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: analysis

BancoPosta RFC had no financial instruments in the trading book either at 31 December 2014 or 31 December 2013. Movements during the year are shown in table 2.3 below.

2.2 Financial assets held for trading: by borrower/issuer

Nil.

2.3 Financial assets held for trading: movements during the year

	Debt securities	Equity instruments	UCIs	Loans	Total
A. Opening balance	-	-	-	-	-
B. Increases	544,484	167	-	-	544,651
B.1 Purchases	544,468	167	-	-	544,635
B.2 Increases in fair value	-	-	-	-	-
B.3 Other increases	16	-	-	-	16
C. Decreases	(544,484)	(167)	-	-	(544,651)
C.1 Disposals	(144,484)	(167)	-	-	(144,651)
C.2 Repayments	(400,000)	-	-	-	(400,000)
C.3 Decreases in fair value	-	-	-	-	-
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other decreases	-	-	-	-	-
D. Closing balance	-	-	-	-	-

Debt securities were traded during the year in order to invest temporary excess funds in the "Buffer" account. BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers. Profits or losses on such transactions are reported in Part C, Table 4.1.

Section 3 – Financial assets designated at fair value – Item 30

No financial assets are held in portfolio designated at fair value through profit or loss (the "fair value option").

Section 4 – Available – for – sale financial assets – Item 40

4.1 Available-for-sale financial assets: analysis

Transaction Type/Amounts	Balance at 31 December 2014			Balance at 31 December 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	28,601,539	149,434	-	24,254,626	119,077	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	28,601,539	149,434	-	24,254,626	119,077	-
2. Equity instruments	-	56,313	117	-	47,295	117
2.1 At fair value	-	56,313	-	-	47,295	-
2.2 At cost	-		117	-	-	117
3. UCIs	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**28,601,539**	**205,747**	**117**	**24,254,626**	**166,372**	**117**

Debt securities carried at fair value total €28,750,973 thousand (€285,587 thousand of which being accrued interest).

Equity instruments comprise:

- €53,958 thousand relating to the fair value of 756,280[86] Class B shares in MasterCard Incorporated. These equity instruments are not quoted on a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired;
- €2,355 thousand relating to the fair value of 11,144 Class C shares in Visa Incorporated. These equity instruments are not quoted on a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired;
- €117 thousand being the historic cost, unchanged since acquisition, of an 8.637% shareholding in Eurogiro Holding A/S.

4.2 Available-for-sale financial assets: by borrower/issuer

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Debt securities	28,750,973	24,373,703
a) Governments and Central Banks	28,750,973	24,373,703
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	56,430	47,412
a) Banks	-	-
b) Other issuers	56,430	47,412
- insurance companies	-	-
- finance companies	56,430	47,412
- non-finance companies	-	-
- other	-	-
3. UCIs	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**28,807,403**	**24,421,115**

[86] On 21 January 2014 Mastercard Incorporated carried out a stock split, allocating each shareholder 10 new shares for every existing share held, without any dilutive effects or changes to the relevant value.

4.3 Micro-hedged available-for-sale financial assets

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Micro-fair value hedged financial assets	9,290,547	4,126,971
a) Rate risk	9,290,547	4,126,971
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Micro-cash flow hedged financial assets	2,102,659	2,414,929
a) Rate risk	2,102,659	2,414,929
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**11,393,206**	**6,541,900**

4.4 Available-for-sale financial assets: movements during the year

	Debt securities	Equity instruments	UCIs	Loans	Total
A. Opening balance	**24,373,703**	**47,412**	**-**	**-**	**24,421,115**
B. Increases	8,388,670	9,018	-	-	8,397,688
B.1 Purchases	5,201,200	-	-	-	5,201,200
B.2 Increases in fair value	3,106,340	9,018	-	-	3,115,358
B.3 Recoveries	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- through equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other increases	81,130	-	-	-	81,130
C. Decreases	(4,011,400)	-	-	-	(4,011,400)
C.1 Disposals	(3,540,033)	-	-	-	(3,540,033)
C.2 Repayments	(369,000)	-	-	-	(369,000)
C.3 Decreases in fair value	(19,563)	-	-	-	(19,563)
C.4 Impairments	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- through equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other decreases	(82,804)	-	-	-	(82,804)
D. Closing balance	**28,750,973**	**56,430**	**-**	**-**	**28,807,403**

Part of the net increase for the period of €3,086,777 thousand in the fair value of debt securities has been recognised in the relevant equity reserve (net €1,759,101 thousand gain) in relation to the portion of the portfolio not hedged by fair value hedges. The remainder of the gain (net €1,327,676 thousand gain) relating to the hedged portion is recognised through profit or loss. (Part C, Table 5.1).

Section 5 – Held-to-maturity financial assets – Item 50

5.1 Held-to-maturity financial assets: analysis

	Balance at 31 December 2014				Balance at 31 December 2013			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	14,099,685	16,263,412	-	-	15,221,162	16,013,783	-	-
- structured	-	-	-	-	-	-	-	-
- other	14,099,685	16,263,412	-	-	15,221,162	16,013,783	-	-
2. Loans	-	-	-	-	-	-	-	-

At 31 December 2014, €207,513 thousand of the aggregate fair value of the held-to-maturity portfolio was accrued interest.

Securities with a nominal value of €6,440,861 thousand are encumbered as follows:

- €5,373,962 thousand, carried at an amortised cost of €5,415,078 (Part B, Other information, Table 2) and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2014;

- €596,899 thousand, carried at an amortised cost of €646,747 thousand (Part B, Other information, Table 2) and delivered to counterparties for use as collateral for asset swaps;
- €470,000 thousand, carried at an amortised cost of €500,057 thousand and delivered to the Bank of Italy as collateral for intraday credit granted.

5.2 Held-to-maturity financial assets: by borrower/issuer

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Debt securities	14,099,685	15,221,162
a) Governments and Central Banks	14,099,685	15,221,162
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**14,099,685**	**15,221,162**
Total fair value	**16,263,412**	**16,013,783**

5.3 Micro-hedged held - to -maturity financial assets

Nil.

5.4 Held-to-maturity financial assets: movements during the year

		Debt securities	Loans	Total
A.	**Opening balance**	**15,221,162**	**-**	**15,221,162**
B.	Increases	127,326	-	127,326
B.1	Purchases	102,651	-	102,651
B.2	Recoveries	-	-	-
B.3	Transfers from other portfolios	-	-	-
B.4	Other increases	24,675	-	24,675
C.	Decreases	(1,248,803)	-	(1,248,803)
C.1	Disposals	-	-	-
C.2	Repayments	(1,206,000)	-	(1,206,000)
C.3	Impairment	-	-	-
C.4	Transfers to other portfolios	-	-	-
C.5	Other decreases	(42,803)	-	(42,803)
D.	**Closing balance**	**14,099,685**	**-**	**14,099,685**

Section 6 – Due from banks – Item 60

6.1 Due from banks: analysis

Transaction type/Amounts	Balance at 31 December 2014				Balance at 31 December 2013			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	29				29			
1. Time deposits	-	x	x	x	-	x	x	x
2. Compulsory reserves	-	x	x	x	-	x	x	x
3. Reverse repurchase agreements	-	x	x	x	-	x	x	x
4. Other	29	x	x	x	29	x	x	x
B. Due from banks	916,756				375,720			
1. Loans	916,756				375,720			
1.1 Current accounts and demand deposits	5,660	x	x	x	11,305	x	x	x
1.2 Time deposits	-	x	x	x	-	x	x	x
1.3 Other loans:	911,096	x	x	x	364,415	x	x	x
- Reverse repurchase agreements	-	x	x	x	-	x	x	x
- Finance leases	-	x	x	x	-	x	x	x
- Other	911,096	x	x	x	364,415	x	x	x
2. Debt securities	-				-			
2.1 Structured securities	-	x	x	x	-	x	x	x
2.2 Other debt securities	-	x	x	x	-	x	x	x
Total	**916,785**	**-**	**-**	**916,785**	**375,749**	**-**	**-**	**375,749**

The sub-item, "Other loans, Other" includes cash collateral held by counterparties for asset swaps (pursuant to Credit Support Annexes) entered into for cash flow and fair value hedging purposes by BancoPosta RFC.

Section 7 – Due from customers– Item 70

7.1 Due from customers: analysis

Transaction type/Amounts	Balance at 31 December 2014						Balance at 31 December 2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Non-performing		Level 1	Level 2	Level 3	Performing	Non-performing		Level 1	Level 2	Level 3
		Assets purchased	Other					Assets purchased	Other			
Loans	8,494,068	-	-				8,356,600					
1. Current accounts	12,412	-	-	x	x	x	25,002	-	-	x	x	x
2. Reverse repurchase agreements	-	-	-	x	x	x	-	-	-	x	x	x
3. Term loans	-	-	-	x	x	x	-	-	-	x	x	x
4. Credit cards, personal and salary loans	-	-	-	x	x	x	-	-	-	x	x	x
5. Finance leases	-	-	-	x	x	x	-	-	-	x	x	x
6. Factoring	-	-	-	x	x	x	-	-	-	x	x	x
7. Other transactions	8,481,656	-	-	x	x	x	8,331,598	-	-	x	x	x
Debt securities	-	-	-				-					
8. Structured securities	-	-	-	x	x	x	-	-	-	x	x	x
9. Other debt securities	-	-	-	x	x	x	-	-	-	x	x	x
Total	**8,494,068**	**-**	**-**	**-**	**-**	**8,494,068**	**8,356,600**	**-**	**-**	**-**	**-**	**8,356,600**

The sub-item, "Other transactions", primarily consists of:

- €5,538,899 thousand, €71,760 thousand of which being accrued interest, in deposits at the MEF of postal current account deposits by Public Sector entities, remunerated at a variable interest rate computed with reference to a basket of Government securities and money market indices;
- €934,029 thousand, €463 thousand of which being accrued interest, in deposits at the MEF (the "Buffer account"), which was, until November, remunerated at the Main Refinancing Operations (MRO) rate[87] and, from December, at the EONIA rate[88];
- a deposit of €662,963 thousand held with the Italian Treasury at the MEF, relating to the following:
  - net advances of €905,298 thousand being deposits received and any excess liquidity, less advances from the MEF to meet cash requirements;
  - the net amount payable in relation to postal savings, totalling €49,361 thousand, being the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The

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87 The minimum rate applied by the European Central Bank in its most recent main refinancing operation or the uniform rate should the ECB apply such a rate in these operations.

88 The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).

balance at 31 December 2014 consists of €107,579 thousand payable to Cassa Depositi e Prestiti, less €58,218 thousand receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf;

– payables in connection with thefts of €159,113 thousand. There is a liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the resultant losses, in order to ensure that post offices can continue to operate;

– payables of €33,861thousand for operational risks, relating to advances from the MEF for transactions for which there were insufficient funds;

- €901,118 thousand in fees and commissions receivable from Cassa Depositi e Prestiti during the year in connection with postal savings and fully paid in February 2015;
- €66,139 thousand in amounts receivable from Poste Italiane SpA's functions outside the ring-fence, €65,201 thousand of which relates to Poste Italiane SpA's Finance function's intersegment account, used for the processing of payments to and from third parties.

7.2 Due from customers: by borrower/issuer

Transaction type/Amounts	Balance at 31 December 2014			Balance at 31 December 2013		
	Performing	Non-performing		Performing	Non-performing	
		Assets purchased	Other		Assets purchased	Other
1. Debt securities	-	-	-	-	-	-
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-finance companies	-	-	-	-	-	-
- finance companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	8,494,068	-	-	8,356,600	-	-
a) Governments	7,206,163	-	-	6,831,959	-	-
b) Other public entities	141,678	-	-	95,563	-	-
c) Other entities	1,146,227	-	-	1,429,078	-	-
- non-finance companies	100,438	-	-	390,230	-	-
- finance companies	947,122	-	-	935,157	-	-
- insurance companies	87,137	-	-	91,388	-	-
- other	11,530	-	-	12,303	-	-
Total	**8,494,068**	**-**	**-**	**8,356,600**	**-**	**-**

Section 8 – Hedging derivatives– Item 80

8.1 Hedging derivatives by type of hedge and level

	Fair value at 31 December 2014			Notional amount at 31 December 2014	Fair value at 31 December 2013			Notional amount at 31 December 2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	48,601	-	625,000	-	32,087	-	600,000
1) Fair Value	-	-	-	-	-	396	-	200,000
2) Cash flow	-	48,601	-	625,000	-	31,691	-	400,000
3) Net foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair Value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**48,601**	**-**	**625,000**	**-**	**32,087**	**-**	**600,000**

8.2 Hedging derivatives by hedged portfolio and type of hedge

Transaction type/Type of hedge	Fair value						Cash flow		Net foreign investment
	Micro					Macro	Micro	Macro	
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	-	-	-	-	-	x	48,601	x	x
2. Loans	-	-	-	x	-	x	-	x	x
3. Held-to-maturity financial assets	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	-	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**48,601**	**-**	**-**
1. Financial liabilities	-	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and financial liabilities	x	x	x	x	x	-	x	-	-

Section 9 - Adjustments for changes in hedged financial assets portfolio - Item 90

No macro-hedges have been arranged at the reporting date.

Section 10 – Investments– Item 100

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

Section 11 – Property, plant and equipment– Item 110

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

Section 12 – Intangible assets– Item 120

There are no intangible assets.

Section 13 – Tax assets and liabilities – Assets Item 130 and Liabilities Item 80

Movements in current tax assets and liabilities are shown below:

Description	Current taxes for the year ended 31 December 2014			Current taxes for the year ended 31 December 2013		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/(Liabilities)	Assets/(Liabilitie		Assets/(Liabilities)	Assets/(Liabilitie	
Opening balance	**(41,317)**	**(7,097)**	**(48,414)**	**18,200**	**(10,538)**	**7,662**
Payments of	137,812	103,166	240,978	100,991	100,863	201,854
prepayments for the current year	89,496	97,046	186,542	100,991	85,927	186,918
balance payable for previous year	48,316	6,120	54,436	-	14,936	14,936
Provisions to profit or loss for	(162,683)	(89,948)	(252,631)	(168,679)	(97,422)	(266,101)
current tax expense	(168,158)	(90,925)	(259,083)	(169,228)	(97,062)	(266,290)
adjustments to prior period taxes	5,475	977	6,452	549	(360)	189
Provisions to equity	177	-	177	(295)	-	(295)
Other (*)	5,277	-	5,277	8,466	-	8,466
Closing balance	**(60,734)**	**6,121**	**(54,613)**	**(41,317)**	**(7,097)**	**(48,414)**
of which:						
Current tax assets	12,454	6,121	**18,575**	12,454	-	**12,454**
Current tax liabilities	(73,188)	-	**(73,188)**	(53,771)	(7,097)	**(60,868)**

(*) Primarily tax withholdings on fee income.

Deferred tax assets and liabilities are analysed below:

13.1 Deferred tax assets: analysis

Description	Financial assets and liabilities		Hedging derivatives		Employee termination benefits		Provision for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	75	-	-	-	-	-	21,547	-	66,272	10,702	87,894	10,702
Deferred tax assets through equity	66,558	10,915	29,974	4,916	460	-	-	-	-	-	96,992	15,831
2014 total	**66,633**	**10,915**	**29,974**	**4,916**	**460**	**-**	**21,547**	**-**	**66,272**	**10,702**	**184,886**	**26,533**
Deferred tax assets through profit or loss	75	-	-	-	-	-	21,209	-	65,721	10,652	87,005	10,652
Deferred tax assets through equity	86,622	14,238	51,699	8,498	-	-	-	-	-	-	138,321	22,736
2013 total	**86,697**	**14,238**	**51,699**	**8,498**	**-**	**-**	**21,209**	**-**	**65,721**	**10,652**	**225,326**	**33,388**

13.2 Deferred tax liabilities: analysis

Description	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax liabilities through profit or loss	-	-	-	-	-	-
Deferred tax liabilities through equity	681,436	111,630	49,395	8,101	730,831	119,731
2014 total	**681,436**	**111,630**	**49,395**	**8,101**	**730,831**	**119,731**
Deferred tax liabilities through profit or loss	-	-	-	-	-	-
Deferred tax liabilities through equity	280,552	46,007	44,339	7,288	324,891	53,295
2013 total	**280,552**	**46,007**	**44,339**	**7,288**	**324,891**	**53,295**

13.3 Movements in deferred tax assets through profit or loss

	Balance at 31 December 2014	Balance at 31 December 2013
1. Opening balance	**97,657**	**84,927**
2. Increases	1,031	18,763
2.1 Deferred tax assets recognised in the year	1,031	18,763
a) relating to previous years	47	3
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	984	18,760
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	(92)	(6,033)
3.1 Deferred tax assets derecognised in the year	(68)	(5,915)
a) reversals	(68)	(5,915)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction of tax rate	(24)	(118)
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	**98,596**	**97,657**

13.4 Movements in deferred tax liabilities through profit or loss

	Balance at 31 December 2014	Balance at 31 December 2013
1. Opening balance	**-**	**(88)**
2. Increases	-	-
2.1 Deferred tax liabilities recognised in year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	-	88
3.1 Deferred tax liabilities derecognised in the year	-	88
a) reversals	-	88
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction of tax rate	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**-**

13.5 Movements in deferred tax assets through equity

	Balance at 31 December 2014	Balance at 31 December 2013
1. Opening balance	**161,057**	**356,831**
2. Increases	24,501	18,451
2.1 Deferred tax assets derecognised in the year	24,501	18,451
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	24,501	18,451
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	(72,735)	(214,225)
3.1 Deferred tax assets derecognised in the year	(72,705)	(213,994)
a) reversals	(19,167)	(26,951)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(53,538)	(187,043)
3.2 Reduction of tax rate	(30)	(231)
3.3 Other decreases	-	-
4. Closing balance	**112,823**	**161,057**

13.6 Movements in deferred tax liabilities through equity

	Balance at 31 December 2014	Balance at 31 December 2013
1. Opening balance	**(378,186)**	**(309,777)**
2. Increases	(577,011)	(163,998)
2.1 Deferred tax liabilities recognised in the year	(577,011)	(163,998)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(577,011)	(163,998)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	104,635	95,589
3.1 Deferred tax liabilities derecognised in the year	104,548	95,247
a) reversals	97,295	88,222
b) due to changes in accounting policies	-	-
c) other	7,253	7,025
3.2 Reduction of tax rate	87	342
3.3 Other decreases	-	-
4. Closing balance	**(850,562)**	**(378,186)**

The net charge or credit to profit or loss due to movements in deferred tax assets and liabilities through equity is the tax effect on reserves described in Part D.

13.7 Other information

Nil.

Section 14 - Non-current assets (or disposal groups) held for sale/discontinued operations and related liabilities - Assets Item 140 and Liabilities Item 90

There are no disposal groups/discontinued operations at the reporting date.

Section 15 – Other assets– Item 150

15.1 Other assets: analysis

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
Tax assets other than those included in item 130	380,382	339,916
Items in process	267,343	363,483
- items in transit between local branches	11,284	11,602
- other	256,059	351,881
Current account cheques being settled, drawn on other banks	68,718	71,423
Other items	778,697	575,112
Total	**1,495,140**	**1,349,934**

Tax receivables primarily relate to tax payments on account, €305,432 thousand of which for virtual stamp duty payable in 2015, €38,619 thousand for withholding tax on interest earned by current account holders for 2014, and €20,347 thousand for substitute tax on assets under management.

"Items in process, other" includes:

- €28,888 thousand in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- uses of debit cards issued by BancoPosta to be debited to customer accounts, totalling €45,399 thousand;
- customer postal cheques of €90,556 thousand in collection from banks;

- unsettled ATM payments made at post offices, totalling €19,262 thousand;
- amounts due from commercial partners, totalling €19,109 thousand, for providing PostePay top-ups and payments slips, totalling €15,073 thousand, to be credited to beneficiaries;
- account maintenance and custody fees of €7,643 thousand to be debited to customers.

"Other items" include:

- €562,655 thousand in stamp duty accrued to 31 December 2014 payable by holders of outstanding Interest-bearing Postal Certificates[89]. An equal amount has been recognised in "Other liabilities" as tax payables (Part B, Liabilities, Table 10.1) until expiration or early settlement of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €160,433 thousand in stamp duty charged to Postal Savings Books which BancoPosta RFC pays in virtual form, as required by law;
- amounts in the process of recovery, totalling €22,667 thousand, which are not available since the related amounts have been seized and have not yet been assigned to creditors of Poste Italiane SpA's functions outside the ring-fence. Any losses on realisation of collateral are for the account of Poste Italiane SpA's functions outside the ring-fence.

[89] Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementing paragraphs 1 to 3 of article 19 of Decree Law 201 of 6 December 2011 having regard to stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: analysis

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Due to Central Banks	-	-
2. Due to banks	5,550,783	3,484,111
2.1 Current accounts and demand deposits	286,307	279,491
2.2 Time deposits	33,737	11,086
2.3 Loans	5,230,529	3,193,124
2.3.1. Repurchase agreements	5,230,529	3,193,124
2.3.2. Other	-	-
2.4 Obligations to repurchase equity instruments	-	-
2.5 Other payables	210	410
Total	**5,550,783**	**3,484,111**
Fair value - level 1	**-**	**-**
Fair value - level 2	*5,253,776*	*3,208,359*
Fair value - level 3	*320,254*	*290,987*
Total fair value	**5,574,030**	**3,499,346**

€5,230,529 thousand was due to banks at 31 December 2014 under the terms of repurchase agreements. In detail:

- €2,508,950 thousand (€8,949 thousand of which accrued interest) relating to the three-year loan obtained in February 2012 from Banca IMI SpA (Three-year Long-term Refinancing Operation arranged by the ECB), which was settled with a bullet repayment in February 2015;
- €1,861,923 thousand (€8,624 thousand of which accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed income government securities of a matching nominal amount;
- €859,656 thousand (€67 thousand of which accrued interest) relating to ordinary borrowing opertations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers.

Repurchase agreements are classified as fair value level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are consequently classified as level 3.

BancoPosta RFC has uncommitted overnight lines of credit amounting to €1,006 million and overdraft arrangements of €81 million provided by Poste Italiane SpA, both undrawn at 31 December 31 December 2014. From 2014, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €470 million and the facility is unused at 31 December 2014.

Section 2 – Due to customers – Item 20

2.1 Due to customers: analysis

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Current accounts and demand deposits	40,012,286	40,080,763
2. Time deposits	645,313	852,677
3. Loans	476,970	1,798,187
3.1 Repurchase agreements	408,639	1,729,856
3.2 Other	68,331	68,331
4. Obligations to repurchase equity instruments	-	-
5. Other payables	1,432,601	1,266,501
Total	**42,567,170**	**43,998,128**
Fair value - level 1	-	-
Fair value - level 2	*408,799*	*1,735,153*
Fair value - level 3	*42,158,531*	*42,268,272*
Total fair value	**42,567,330**	**44,003,425**

"Current accounts and demand deposits" include €153,648 thousand in postal current accounts held by Poste Italiane SpA outside the ring-fence.

"Loans, Repurchase agreements" (including €8,696 thousand in accrued interest) relate to a loan obtained in February 2012 from Cassa Depositi e Prestiti (Three-year Long-term Refinancing Operation arranged by the ECB) and settled on 26 February 2015.

"Loans, Other" refers to an amount due to Poste Italiane SpA's functions outside the ring-fence in connection with the creation of BancoPosta RFC.

"Other payables" primarily consist of €921,741 thousand in prepaid PostePay card balances payable to customers and domestic postal orders, amounting to €344,653 thousand.

Repurchase agreements are classified as fair value level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amount and they are consequently classified as level 3.

Section 3 – Debt securities in issue – Item 30

BancoPosta RFC has no debt securities in issue.

Section 4 – Financial liabilities held for trading – Item 40

BancoPosta RFC held no financial instruments in the trading book at either 31 December 2014 or 31 December 2013.

Section 5 – Financial liabilities designated at fair value – Item 50

No financial liabilities are held in portfolio designated at fair value through profit or loss (the "fair value option").

Section 6 – Hedging derivatives– Item 60

6.1 Hedging derivatives by type and hierarchical level

	Fair Value at 31 December 2014			Notional amount at 31 December 2014	Fair Value at 31 December 2013			Notional amount at 31 December 2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	1,720,212	-	8,370,000	-	470,973	-	5,525,000
1) Fair value	-	1,672,223	-	7,295,000	-	367,673	-	3,700,000
2) Cash flow	-	47,989	-	1,075,000	-	103,300	-	1,825,000
3) Net foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**1,720,212**	**-**	**8,370,000**	**-**	**470,973**	**-**	**5,525,000**

6.2 Hedging derivatives by hedged portfolio and type of hedge

Transaction type/Type of hedge	Fair Value						Cash flow		Net foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	1,672,223	-	-	-	-	x	47,989	x	x
2. Loans	-	-	-	x	-	x	-	x	x
3. Held-to-maturity financial assets	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	-	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**1,672,223**	**-**	**-**	**-**	**-**	**-**	**47,989**	**-**	**-**
1. Financial liabilities	-	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	-	x	-	-

Section 7 - Adjustments for changes in hedged financial liabilities portfolio - Item 70

No macro-hedges have been arranged at the reporting date.

Section 8 – Tax liabilities– Item 80

Please refer to Assets, section 13.

Section 9 - Liabilities included in non-current assets held for sale and discontinued operations - Item 90

There are no such liabilities at the reporting date.

Section 10 – Other liabilities– Item 100

10.1 Other liabilities: analysis

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
Tax liabilities other than those included in item 80	734,127	611,419
Items in process:	652,466	629,907
- amounts to be credited to Postal Savings Books	332,871	357,095
- items in transit between local branches	6,861	5,663
- other	312,734	267,149
Amounts due to Poste Italiane SpA outside the ring-fence for services rendered	306,093	377,834
Amounts due to customers	94,423	95,310
Trade payables	69,960	50,443
Due to employees	17,223	17,266
Accrued expenses and deferred income	10,690	15,175
Other items	88,040	71,992
Total	**1,973,022**	**1,869,346**

“Tax liabilities other than those included in Item 80” primarily include:

- €562,655 thousand in stamp duty accrued to 31 December 2014 on outstanding Interest-bearing Postal Certificates holders in accordance with the requirements referenced in Part B, Assets, Table 15.1;
- €136,987 thousand regarding taxes and road tax payable to collection agents, the tax authorities and regional authorities for payments made by customers;
- €20,653 thousand in tax withholdings on current account interest payments to customers.

“Items in process, other” includes, among other things, domestic and international bank transfers, totalling €89,290 thousand, amounts received from the MEF to fund the payment of “fuel bonuses” to qualifying customers, totalling €52,658 thousand, and unpaid postal cheques of €43,657 thousand.

“Other items” relate to prior year balances currently being verified.

Section 11 - Employee termination benefits - Item 110

Movements in employee termination benefits during the year under review are shown below:

11.1 Employee termination benefits: movements during the year

	Balance at 31 December 2014	Balance at 31 December 2013
A. Opening balance	**18,217**	**18,848**
B. Increases	3,234	1,653
B.1 Provisions for year	536	570
B.2 Other increases	2,698	1,083
C. Decreases	(1,232)	(2,284)
C.1 Benefits paid	(1,073)	(744)
C.2 Other decreases	(159)	(1,540)
D. Closing balance	**20,219**	**18,217**

The amount of the provision for the year (Part C, Table 9.1) is equal to accrued interest payable (the interest cost) on the obligation to employees. Other increases were the result of transfers from Poste Italiane SpA or other Group companies, totalling €380 thousand, and actuarial losses of €2,318 thousand, recognised as a release from equity reserves (Part D). The current service cost is not applicable to the employee termination benefits attributable to BancoPosta RFC, since this cost is recognised in personnel expenses, as the contributions are paid over to pension funds or other social security institutions.

€1,043 thousand of the total uses of the provision for employee termination benefits were for benefit payments, with an additional €30 thousand for substitute tax payments.

Other decreases were caused by transfers to certain Group companies.

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2014 and 2013:

Key financial-economic assumptions

	31 December 2014	30 June 2014	31 December 2013
Discount rate	1.49%	2.30%	3.17%
Inflation rate	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on	2.00%	2.00%
Annual rate of increase of employee termination benefits	1.950% for 2015 2.400% for 2016 2.625% for 2017 and 2018 3.000% from 2019 on	3.00%	3.00%

Key demographic assumptions

	31 December 2014
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains/(losses)

	31 December 2014	31 December 2013
Change in demographic assumptions	-	-
Change in financial assumptions	2,571	(879)
Other experience-related adjustments	(253)	(192)
Total	2,318	(1,071)

Sensitivity analysis

	Employee termination benefits at 31 December 2014	Employee termination benefits at 31 December 2013
Inflation rate +0.25%	20,530	18,516
Inflation rate -0.25%	19,914	17,925
Discount rate +0.25%	19,730	17,785
Discount rate -0.25%	20,727	18,666
Turnover rate +0.25%	20,187	18,234
Turnover rate -0.25%	20,252	18,200

Other information

	31 December 2014	31 December 2013
Service Cost	-	-
Average duration of defined benefit plan	10.5	10.5
Average employee turnover	0.64%	0.64%

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: analysis

Transaction type/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Provisions for retirement benefits	-	-
2. Other provisions	357,819	348,281
2.1 litigation	73,151	72,963
2.2 personnel expenses	1,032	471
2.3 other	283,636	274,847
Total	**357,819**	**348,281**

The composition of "Other provisions" is provided in Table 12.4, below.

12.2 Provisions for risks and charges: movements during the year

	Provisions for retirement benefits	Other provisions	Total
A. Opening balance	**-**	**348,281**	**348,281**
B. Increases	-	56,979	56,979
B.1 Provisions for the year	-	56,173	56,173
B.2 Increases due to passage of time	-	806	806
B.3 Increases due to changed discount rates	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(47,441)	(47,441)
C.1 Uses during the year	-	(26,424)	(26,424)
C.2 Decreases due to changed discount rates	-	-	-
C.3 Other decreases	-	(21,017)	(21,017)
D. Closing balance	**-**	**357,819**	**357,819**

"B.1 Provisions for the year" includes personnel expenses of €4,932 thousand. Other decreases relate to transfers to the income statement during the year as a result of the derecognition of prior year liabilities, including a €102 thousand provision for personnel expenses.

12.3 Company defined benefit pension plan

Nil.

12.4 Provisions for risks and charges - other provisions

Description	Balance at 31 December 2014	Balance at 31 December 2013
Litigation	73,151	72,963
Provisions for disputes with third parties	72,689	72,253
Provisions for personnel disputes	462	710
Provisions for personnel expenses	1,032	471
Other provisions	283,636	274,847
Provision for non-recurring charges	270,260	261,809
Provisions for expired and statute barred Postal Certificates	13,376	13,038
Total	**357,819**	**348,281**

Provisions for disputes with third parties regard expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and compensation payable to customers.

Provisions for personnel disputes regard liabilities that may arise following labour litigation and disputes of various type.

Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour.

Provisions for non-recurring charges relate to operational risks attributable to BancoPosta RFC. They regard, among other things, the liabilities arising from the reconstruction of operating ledger entries at the time of Poste Italiane SpA's incorporation, liabilities deriving from the provision of delegated services for social security agencies, fraud, violations of administrative regulations, compensation and adjustments to income for previous years, and estimated risks for charges and expenses to be incurred in connection with seizures effected by BancoPosta as garnishee-defendant, and risks linked to disputes with customers regarding instruments and investment products whose characteristics are believed by such customers to not match their profile and/or whose performance is not in line with their expectations.

Provisions for expired and statute barred Postal Certificates held by BancoPosta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in Poste Italian SpA's profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2014, the provisions represent the present value of total liabilities, based on a nominal value of €21,490 thousand, expected to be progressively paid off by 2043.

Section 13 – Redeemable shares– Item 140

Not applicable.

Section 14 - Equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Capital and treasury shares: analysis

Nil.

14.2 Capital – Number of shares: movements during the year

Nil.

14.3 Capital – Other information

Nil.

14.4 Revenue reserves: other information

Other revenue reserves include the initial reserve of €1 billion provided to BancoPosta RFC on its creation.

Other information

1. Guarantees and commitments

Guarantees/commitments	Balance at 31 December 2014	Balance at 31 December 2013
1) Financial guarantees issued	-	-
a) Banks	-	-
b) Customers	-	-
2) Trade guarantees issued	-	-
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitments to disburse funds	-	-
a) Banks	-	-
i) certain disbursement	-	-
ii) uncertain disbursement	-	-
b) Customers	-	-
i) certain disbursement	-	-
ii) uncertain disbursement	-	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third party commitments	-	-
6) Other commitments	129,000	400,000
Total	**129,000**	**400,000**

"Other commitments" relate to the nominal value of securities to be delivered under repurchase agreements, accounted for in "Available-for-sale financial assets" at a fair value of €168,613 thousand.

2. Assets pledged as collateral for liabilities and commitments

Portfolio	Balance at 31 December 2014	Balance at 31 December 2013
1. Financial assets held for trading	-	-
2. Financial assets designated at fair value	-	-
3. Available-for-sale financial assets	-	147,697
4. Held-to-maturity financial assets	6,061,825	5,262,082
5. Due from banks	-	-
6. Due from customers	-	-
7. Property, plant and equipment	-	-

"Held-to-maturity financial assets", carried at amortised cost, relate to securities provided as collateral to counterparties of negative fair value hedging asset swaps and repos.

3. Information on operating leases

Nil.

4. Brokerage and management on behalf of third parties

Service	Amount
1. Execution of orders on behalf of customers	-
a) purchase	-
1. settled	-
2. not settled	-
b) sale	-
1. settled	-
2. not settled	-
2. Portfolio management	-
a) individual	-
b) collective	-
3. Custody and administration of securities	45,495,494
a) third party securities in custody: related to depository bank operations (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) third party securities in custody (excluding portfolio management): other	7,746,715
1. securities issued by the reporting bank	-
2. other securities	7,746,715
c) third-party securities deposited with third parties	7,746,715
d) own securities deposited with third parties	37,748,779
4. Other transactions	246,019,367
a) Postal Savings Books	113,739,797
b) Interest-bearing Postal Certificates	132,279,570

The "Custody and administration of third-party securities deposited with third parties" relates to customers' securities held at primary market operators and, to a much lesser extent, securities held has collateral. Except for securities held as collateral, orders received from customers are executed by qualified, designated credit institutions.

"Other transactions" include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

5. Financial assets offset in the financial statements or subject to framework netting arrangements or similar agreements

Technical form	Amount of gross financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2014 (f=c-d-e)	Net amount at 31 December 2013
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	48,601	-	48,601	48,601	-	-	131
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31 December 20'	48,601	-	48,601	48,601	-	-	x
Total at 31 December 20'	32,087	-	32,087	31,956	-	x	131

6. Financial liabilities offset in the financial statements or subject to framework netting arrangements or similar agreements

Technical form	Amount of gross financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Amount of net financial liabilities reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2014 (f=c-d-e)	Net amount at 31 December 2013
				Financial instruments (d)	Cash collateral given (e)		
1. Derivatives	1,720,212	-	1,720,212	790,294	885,478	44,440	2,444
2. Repurchase agreements	5,639,168	-	5,639,168	5,639,168	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31 December 20'	7,359,380	-	7,359,380	6,429,462	885,478	44,440	x
Total at 31 December 20'	5,393,954	-	5,393,954	5,061,472	330,038	x	2,444

BancoPosta RFC is not a party to enforceable master netting arrangements or similar agreements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements. The above tables have been compiled in accordance with IFRS 7 – *Financial Instruments: Disclosure,* which requires a specific disclosure regardless of whether or not the financial instruments have been offset.

Part C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: analysis

Asset/Technical form	Debt securities	Loans	Other transactions	For the year ended 31 December 2014	For the year ended 31 December 2013
1. Financial assets held for trading	16	-	-	16	226
2. Available-for-sale financial assets	913,206	-	-	913,206	893,640
3. Held-to-maturity financial assets	631,705	-	-	631,705	659,040
4. Due from banks	-	451	-	451	363
5. Due from customers	-	75,468	-	75,468	162,677
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	x	x	41,093	41,093	34,670
8. Other assets	x	x	249	249	249
Total	**1,544,927**	**75,919**	**41,342**	**1,662,188**	**1,750,865**

"Due from customers, Loans" includes interest income of €1,692 thousand received from Poste Italiane SpA, relating to interest earned on the intersegment account with the Poste Italiane SpA's functions outside the ring-fence (€1,684 thousand).

1.2 Interest and similar income: hedge differentials

Differential	For the year ended 31 December 2014	For the year ended 31 December 2013
A. Positive hedge differentials	54,084	51,286
B. Negative hedge differentials	(12,991)	(16,616)
C. Net (A-B)	**41,093**	**34,670**

1.3 Interest and similar income: other information

Nil.

1.4 Interest and similar expense: analysis

Liability/Technical form	Debts	Securities	Other transactions	For the year ended 31 December 2014	For the year ended 31 December 2013
1. Due to Central Banks	-	x	-	-	-
2. Due to banks	(23,016)	x	-	(23,016)	(23,434)
3. Due to customers	(100,164)	x	-	(100,164)	(203,412)
4. Debt securities in issue	x	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	x	x	-	-	-
8. Hedging derivatives	x	x	-	-	-
Total	**(123,180)**	**-**	**-**	**(123,180)**	**(226,846)**

"Due to customers, Debts" includes interest of €425 thousand received from Poste Italiane SpA's functions outside the ring-fence, relating primarily to postal current accounts held at Poste Italiane SpA but outside the ring-fence (€304 thousand) and interest payable to Poste Italiane in connection with the creation of BancoPosta RFC (€109 thousand).

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: analysis

Service/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
a) Guarantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and advisory services:	2,172,799	2,142,077
1. Financial instrument trading	-	-
2. FX trading	757	560
3. Portfolio management:	-	-
3.1 Individual	-	-
3.2 Collective	-	-
4. Securities custody and administration	11,490	16,445
5. Depository banking	-	-
6. Securities placements	22,080	31,262
7. Order receipt and transmission	5,338	7,299
8. Advisory services:	-	-
8.1 Relating to investments	-	-
8.2 Relating to financial structuring	-	-
9. Arrangement of third-party services:	2,133,134	2,086,511
9.1 Portfolio management:	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 Insurance products	361,329	328,438
9.3 Other products	1,771,805	1,758,073
d) Collection and payment services	1,129,348	1,151,562
e) Securitisation servicing	-	-
f) Factoring services	-	-
g) Tax collection	-	-
h) Multilateral trading services	-	-
i) Current account maintenance and management	251,890	262,879
j) Other services	6,963	7,375
Total	**3,561,000**	**3,563,893**

2.2 Fee and commission income by product and service distribution channel

Channel/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
A. Own counters:	2,155,214	2,117,773
1. Portfolio management	-	-
2. Securities placements	22,080	31,262
3. Third-party products and services	2,133,134	2,086,511
B. Off-site:	-	-
1. Portfolio management	-	-
2. Securities placements	-	-
3. Third-party products and services	-	-
C. Other distribution channels:	-	-
1. Portfolio management	-	-
2. Securities placements	-	-
3. Third-party products and services	-	-

"Own counters" means Poste Italiane SpA's post office network.

2.3 Fee and commission expense: analysis

Service/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	(1,555)	(1,850)
1. Financial instrument trading	(49)	(131)
2. FX trading	-	-
3. Portfolio management:	-	-
3.1 Own	-	-
3.2 For third parties	-	-
4. Securities custody and administration	(753)	(1,017)
5. Financial instrument placements	(753)	(702)
6. Off-site marketing of financial instruments, products and services	-	-
d) Collection and payment services	(44,757)	(42,075)
e) Other services	(2,810)	(1,090)
Total	**(49,122)**	**(45,015)**

The cost of "Management and brokerage services: financial instrument trading" relates to fees retroceded to qualified financial institutions for the execution of orders received from customers.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: analysis

Asset/income	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Dividends	UCI distributions	Dividends	UCI distributions
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	404	-	98	-
C. Financial assets designated at fair value	-	-	-	-
D. Investments	-	x	-	x
Total	**404**	**-**	**98**	**-**

Section 4 – Profits/(Losses) on trading – Item 80

4.1 Profits/(Losses) on trading: analysis

Asset-Liability/Profit component	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net income/(loss) [(A+B) – (C+D)]
1. Financial assets held for trading	-	1,916	-	(266)	1,650
1.1 Debt securities	-	21	-	(23)	(2)
1.2 Equity instruments	-	5	-	(1)	4
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	1,890	-	(242)	1,648
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	x	x	x	x	665
4. Derivative instruments	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	-	-	-	-	-
- on foreign exchange and gold	x	x	x	x	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	-	**1,916**	**-**	**(266)**	**2,315**

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: analysis

Profit component/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
A. Income on:		
A.1 Fair value hedge derivatives	-	236,914
A.2 Hedged financial assets (fair value)	1,327,676	52
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	202	848
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	1,327,878	237,814
B. Cost of:		
B.1 Fair value hedge derivatives	(1,328,906)	(52)
B.2 Hedged financial assets (fair value)	-	(236,743)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	(1)
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	(1,328,906)	(236,796)
C. Net hedging income (A – B)	(1,028)	1,018

Section 6 - Profits/(Losses) on disposal or repurchase - Item 100

6.1 Profits/(Losses) on disposal or repurchase: analysis

Asset-Liability/Profit component	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Profit	Loss	Net profit	Profit	Loss	Net profit
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Available-for-sale financial assets	385,524	(4,036)	381,488	291,808	(6,194)	285,614
3.1 Debt securities	385,524	(4,036)	381,488	291,808	(6,194)	285,614
3.2 Equity instruments	-	-	-	-	-	-
3.3 UCIs	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	1,186	(182)	1,004
Total assets	**385,524**	**(4,036)**	**381,488**	**292,994**	**(6,376)**	**286,618**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Profits/(Losses) on financial assets and liabilities designated at fair value – Item 110

Not applicable.

Section 8 - Net losses/recoveries on impairment - Item 130

8.1 Net losses/recoveries on impairment of loans and advances: analysis

Asset-Liability/Profit component	Impairment losses			Recoveries				For the year ended 31 December 2014	For the year ended 31 December 2013
	Specific		Collective	Specific		Collective			
	Write-off	Other		Interest	Other	Interest	Other		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	-	-	(8,623)	-	-	-	8,838	215	(8,657)
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other amounts owing	-	-	(8,623)	-	-	-	8,838	215	(8,657)
- Loans	-	-	(8,623)	-	-	-	8,838	215	(8,657)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**-**	**(8,623)**	**-**	**-**	**-**	**8,838**	**215**	**(8,657)**

Section 9 – Administrative expenses – Item 150

9.1 Personnel expenses: analysis

Expense/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
1) Employees	(90,792)	(88,125)
a) wages and salaries	(64,115)	(63,633)
b) social security	(16,538)	(16,268)
c) employee termination benefits	(4,088)	(3,968)
d) social security costs	-	-
e) provision for employee termination benefits	(536)	(570)
f) provisions for post- employment benefits	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(765)	(682)
- defined contribution plans	(765)	(682)
- defined benefit plans	-	-
h) cost of share-based payments	-	-
i) other employee benefits	(4,750)	(3,004)
2) Other active personnel	-	-
3) Directors and Statutory Auditors	-	-
4) Retirees	-	-
5) Recovery of employment costs of staff seconded to other companies	-	-
6) Refund of costs of third party employees seconded to the company	-	-
Total	**(90,792)**	**(88,125)**

9.2 Average number of employees by category (*)

	For the year ended 31 December 2014	For the year ended 31 December 2013
Employees	1,824	1,782
a) executives	47	46
b) middle managers	438	416
c) other employees	1,339	1,320
Other employees	-	-
Total	**1,824**	**1,782**

(*) Full Time Equivalents.

9.3 Post-employment defined benefit plans: costs and revenues

Nil.

9.4 Other employee benefits

Primarily redundancy payments.

9.5 Other administrative expenses: analysis

Expense/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
1) Cost of services provided by Poste Italiane SpA:	(4,499,538)	(4,423,716)
- commercial services	(4,082,770)	(4,023,429)
- support services	(362,964)	(351,703)
- staff services	(53,804)	(48,584)
2) Cost of goods and non-professional services:	(52,457)	(59,198)
- printing and postage	(42,865)	(52,111)
- credit and debit card supply services	(9,592)	(7,087)
3) Advisory and other professional services	(46,918)	(41,214)
4) Taxes, penalties and duties	(2,717)	(2,283)
5) Other expenses	(532)	(925)
Total	**(4,602,162)**	**(4,527,336)**

The cost of services provided by Poste Italiane functions outside the ring-fence relates to those services described in Part A - *Accounting Policies*, A.1, Section 4 - *Other Information*.

Section 10 - Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: analysis

Asset-Liability/Profit component	Provisions	Reversals	Net provision
Provisions for litigation	(5,563)	3,354	(2,209)
Provisions for risks and charges	(46,484)	17,561	(28,923)
Total	**(52,047)**	**20,915**	**(31,132)**

Section 11 - Net losses/recoveries on property, plant and equipment - Item 170

Not applicable.

Section 12 - Net losses/recoveries on intangible assets - Item 180

Not applicable.

Section 13 - Other operating income/(expenses) - Item 190

13.1 Other operating expenses: analysis

Profit component/Amounts	For the year ended 31 December 2014	For the year ended 31 December 2013
1. Burglaries and theft	(5,856)	(6,265)
2. Other charges	(25,015)	(29,360)
Total	**(30,871)**	**(35,625)**

"Other charges" relates primarily to post office operating losses.

13.2 Other operating income: analysis

Profit component/Amounts		For the year ended 31 December 2014	For the year ended 31 December 2013
1.	Statute barred money orders	5,848	5,889
2.	Other operating income	6,184	9,284
Total		**12,032**	**15,173**

Section 14 - Profits/(Losses) on investments - Item 210

Not applicable.

Section 15 - Profits/(Losses) on fair value valuation of property, plant and equipment and intangible assets - Item 220

Not applicable.

Section 16 – Impairment of goodwill– Item 230

Not applicable.

Section 17 - Profits/(Losses) on disposal of investments - Item 240

Not applicable.

Section 18 - Taxes on income from continuing operations - Item 260

18.1 Taxes on income from continuing operations: analysis

Profit component/Amounts		For the year ended 31 December 2014	For the year ended 31 December 2013
1.	Current taxes (-)	(259,083)	(266,290)
2.	Increase/(decrease) in current taxes of prior period taxation (+/-)	6,452	189
3.	Reduction in current taxes (+)	-	-
3. bis	Reduction in current taxation due to tax credit pursuant to Law 214/2011 (+)	-	-
4.	Increase/(decrease) in deferred tax assets (+/-)	939	12,730
5.	Increase/(decrease) in deferred tax liabilities (+/-)	-	88
6.	**Taxation for year (-) (-1+/-2+3+/-4+/-5)**	**(251,692)**	**(253,283)**

18.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description	For the year ended 31 December 2014		For the year ended 31 December 2013	
	IRES	% rate	IRES	% rate
Income before tax	*691,357*		*627,313*	
Theoretical tax charge	190,123	27.5%	172,511	27.5%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible contingent liabilities	1,685	0.2%	2,024	0.3%
Net provisions for risks and charges and impairments of receivables	2,727	0.4%	9,272	1.5%
Taxation for previous years	(5,522)	-0.8%	(552)	-0.1%
Deduction of IRAP paid on personnel expenses, Law Decree 201/2011	(23,694)	-3.4%	(21,294)	-3.4%
Other	(3,523)	-0.5%	(3,683)	-0.6%
Effective tax charge	**161,796**	**23.4%**	**158,278**	**25.2%**

Description	For the year ended 31 December 2014		For the year ended 31 December 2013	
	IRAP	% rate	IRAP	% rate
Income before tax	691,357		627,313	
Theoretical tax charge	31,180	4.51%	28,354	4.52%
Personnel expenses	55,138	7.98%	61,504	9.80%
Other	3,578	0.52%	5,147	0.82%
Effective tax charge	**89,896**	**13.00%**	**95,005**	**15.14%**

Section 19 - Income/(Loss) after tax from discontinued operations - Item 280

Not applicable.

Section 20 - Other Information

All information has been presented above.

Section 21 - Earnings per share

Not applicable.

Part D - Comprehensive Income

ANALYSIS OF COMPREHENSIVE INCOME

	Items	Gross amount	Tax on income	Net amount
10.	Profit/(Loss) for the year	X	X	439,665
	Other components of comprehensive income not reclassified to profit or loss			
20.	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(2,318)	637	(1,681)
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserve attributable to equity-accounted investments	-	-	-
	Other components of comprehensive income reclassified to profit or loss	-	-	-
70.	Hedges of foreign investments:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit or loss	-	-	-
	c) other movements	-	-	-
80.	Foreign exchange differences:	-	-	-
	a) changes in carrying amounts	-	-	-
	b) reversal to profit or loss	-	-	-
	c) other movements	-	-	-
90.	Cash flow hedges:	97,387	(31,176)	66,211
	a) changes in fair value	143,870	(46,059)	97,811
	b) reversal to profit or loss	(46,483)	14,880	(31,603)
	c) other movements	-	3	3
100.	Available-for-sale financial assets:	1,539,290	(489,894)	1,049,396
	a) changes in fair value	1,768,119	(563,219)	1,204,900
	b) reversal to profit or loss	(228,829)	73,271	(155,558)
	- impairments	-	-	-
	- realised gains/(losses)	(228,829)	73,271	(155,558)
	c) other movements	-	54	54
110.	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit or loss	-	-	-
	c) other movements	-	-	-
120.	Share of valuation reserve attributable to equity-accounted investments:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit or loss	-	-	-
	- impairments	-	-	-
	- realised gains/(losses)	-	-	-
	c) other movements	-	-	-
130.	Total other components of comprehensive	1,634,359	(520,433)	1,113,926
140.	Comprehensive income (Items 10+130)	X	X	1,553,591

Part E –Information on risks and related hedging policies

Background

BancoPosta's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds deposited by private account holders in postal current accounts are invested in euro zone government securities, with the option of investing up to 50% of the deposits in securities guaranteed by the Italian government[90] whilst deposits by Public Sector entities are deposited with the MEF.. In 2014, BancoPosta was engaged in the reinvestment of funds deriving from maturing government securities and in the trading of securities in order to progressively match the portfolio's maturity profile with the investment model adopted by Poste Italiane SpA. Falling yields of Italian government securities in 2014 resulted in an accumulation of unrealised gains on securities carried in the financial statements, some of which were recognised as realised gains in profit or loss.

The investment profile is based, among other things, on the constant monitoring of habits of current account holders and a use of a leading market operator's statistical/econometric model of typical postal current account interest rates and maturities. The above mentioned model is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate risk and liquidity risks by foreseeing deviations caused by the need to combine the exigencies of risk management with those of improving returns which are dependent on movements in the market yield curve.

FINANCIAL RISK MANAGEMENT

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- the Cross-functional Committee, set up under the BancoPosta RFC Regulation and chaired by Poste Italiane SpA's CEO. Other permanent members are the Head of BancoPosta and the heads of the functions within Poste Italiane SpA primarily involved with Bancoposta. The Committee provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions.
- BancoPosta's Risk Management function, responsible for measuring and controlling risk and duly observing the independence of control functions from management. The results of these activities are examined by the Financial Risk Committee of Poste Italiane SpA.

The activities of the following bodies are also important:

- the Finance, Savings and Investment Committee, which is responsible for establishing policies governing management of the savings of retail customers, as well as strategies to be applied in managing financial assets. In view of the matters dealt with, the Committee is divided into three sections:
  - Finance, with the role of defining and overseeing the financial strategy;
  - Savings, with the role of establishing guidelines to be applied in the development of savings products;

[90] Amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014).

   - Financial investment strategies, with the role of ensuring effective governance and the greatest possible alignment with strategic decisions regarding the allocation and management of financial assets;
- the Financial Risk Committee, which ensures an integrated view of risk exposure and whose members include the Head of BancoPosta's Risk Management;
- Poste Italiane SpA's Coordination of Investment Management function, the work of which is regulated by separate operating guidelines, and which oversees investment strategy and the hedging of capital market risks in respect of the liquidity deriving from BancoPosta current account deposits, in accordance with the guidelines established by the various corporate bodies.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

The prudential standards require BancoPosta to establish a system of internal controls in line with the provisions of the 15th revision of Circular 263 of 27 December 2006, which, among other things, requires achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function.

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

Section 1 - Credit risk

Credit risk refers to counterparty, credit and concentration risks, as explained below.

Credit risk relates to the possibility that a change in a borrower's credit rating could result in a loss, i.e., the risk that a debtor comes into full or partial breach of its repayment obligations for principal and interest.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

Qualitative information

1.General

Presidential Decree 144/2001 prohibits BancoPosta RFC from making loans to members of the public. As a result, there are no credit policies.

The nature of BancoPosta RFC's operations, however, results in a considerable concentration of exposure to Republic of Italy risk as a result of its deposits at the MEF and its investments in Government securities. Credit risk models, explained below, show, however, that for capital requirements this type of investment does not determine capital absorption.

2. Credit risk management policies

2.1 Organisational aspects

The role of BancoPosta RFC's Risk Management Function is the management and control of credit, counterparty and concentration risks.

Monitoring credit risk is particularly focused on the following exposures:

- euro government securities in which private customer account deposits are invested;
- deposits at the MEF in which Public Sector account deposits are invested;
- amounts due from the Italian Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in process: cheque clearing, use of electronic cards, collections;
- temporarily overdrawn post office current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2015;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (CSA - Credit Support Annexes and GMRA – Global Master Repurchase Agreements);
- securities provided as collateral in accordance with agreements intended to mitigate counterparty risk (CSAs and GMRAs);
- trade receivables payable for financial/insurance product arrangement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

2.2 Management, measurement and control systems

Credit risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The above limits for BancoPosta RFC are set out in Poste Italiane SpA's guidelines for financial transactions, which also contain rating limits that only permit dealings with investment grade counterparties, whilst concentration limits are applied as required by prudential regulations for banks[91].

The standard method[92], as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. The method entails the use of Standard & Poor's, Moody's and Fitch for the computation of counterparty credit rating classes.

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[91] According to the prudential requirements, weighted risk exposure must at all times be below 25% of own funds. Exposures are normally equal to an asset's nominal value adjusting for any credit risk mitigation. Lower risk borrowers are assigned lower risk weightings.

[92] The standard method entails risk weightings in accordance with the nature of the exposure and the identity of the counterparty and the counterparty's external credit rating.

The following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:

- the "Market Value" method[93] is used for asset swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method[94], are used for repurchase transactions.

Concentration risk is measured using the method described in EU Regulation 575/2013.

2.3 Credit risk mitigation techniques

In order to limit the counterparty risk's exposure, partly for the purposes of prudential supervisory standards, BancoPosta RFC has concluded standard ISDA master agreements and special agreements for the mitigation of risk for Repos transactions (GMRAs) and OTC derivatives (CSAs). More specifically, the agreements provide for the netting of asset and liability positions and the posting of cash or government securities as collateral.

2.4 Impaired financial assets

There were no impaired financial assets on BancoPosta RFC's books at 31 December 2014.

Quantitative information

A. Credit quality

A.1 Exposure to performing and non-performing loans: amounts, impairments, movements, economic and geographic segment

A.1.1 Distribution of credit exposure by portfolio and credit quality by carrying amount

Portfolio/Credit quality	Non-performing	Problem	Restructured	Non-performing past-due	Performing past-due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-	28,750,973	28,750,973
3. Held-to-maturity financial assets	-	-	-	-	-	14,099,685	14,099,685
4. Due from banks	-	-	-	-	-	916,785	916,785
5. Due from customers	-	-	-	-	-	8,494,068	8,494,068
6. Financial assets designated at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	48,601	48,601
Total at 31 December 2014	**-**	**-**	**-**	**-**	**-**	**52,310,112**	**52,310,112**
Total at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**48,359,301**	**48,359,301**

A.1.2 Distribution of gross and net credit exposure by portfolio and credit quality

Portfolio/Credit quality	Non-performing			Performing			Total (net exposure)
	Gross exposure	Specific provisions	Net exposure	Gross exposure	Collective provisions	Net exposure	
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Available-for-sale financial assets	-	-	-	28,750,973	-	28,750,973	28,750,973
3. Held-to-maturity financial assets	-	-	-	14,099,685	-	14,099,685	14,099,685
4. Due from banks	-	-	-	916,785	-	916,785	916,785
5. Due from customers	-	-	-	8,640,143	146,075	8,494,068	8,494,068
6. Financial assets designated at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	48,601	48,601
Total at 31 December 2014	**-**	**-**	**-**	**52,407,586**	**146,075**	**52,310,112**	**52,310,112**
Total at 31 December 2013	**-**	**-**	**-**	**48,473,736**	**146,522**	**48,359,301**	**48,359,301**

93 The "Market Value" method to measure the risk inherent in derivatives entails summing two components: substitution cost, represented by fair value, if positive, and an add-on equal to the product of the nominal value and the probability that the fair value, if positive, increases the value or, if negative, turns positive.

94 The full CRM method entails reducing risk exposure by the value of guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.

A.1.3 On and off-balance sheet credit exposure to banks: gross and net amounts

Type of exposure/Amounts	Gross exposure	Specific provisions	Collective provisions	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	X	-
b) Problem	-	-	X	-
c) Restructured	-	-	X	-
d) Non-performing past-due	-	-	X	-
e) Other assets	916,785	X	-	916,785
TOTAL A	916,785	-	-	916,785
B. Off-balance sheet exposures				
a) Non-performing	-	-	X	-
b) Other	951,610	X	-	951,610
TOTAL B	951,610	-	-	951,610
TOTAL A+B	**1,868,395**	-	-	**1,868,395**

"Off-balance sheet exposures, Other" relates to the counterparty risk associated with securities provided as collateral under counterparty risk mitigation agreements and for Repo financing with Securities Financing Transactions (SFT)[95] margins.

A.1.4 / A.1.5 On-balance sheet credit exposure to banks: changes in gross non-performing exposures and in total adjustments

Nil.

A.1.6 On and off-balance sheet credit exposure to customers: gross and net amounts

Type of exposure/Amounts	Gross exposure	Specific provisions	Collective provisions	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	X	-
b) Problem	-	-	X	-
c) Restructured	-	-	X	-
d) Non-performing past-due	-	-	X	-
e) Other assets	51,490,801	X	146,075	51,344,726
TOTAL A	51,490,801	-	146,075	51,344,726
B. Off-balance sheet exposures				
a) Non-performing	-	-	X	-
b) Other	121,985	X	-	121,985
TOTAL B	121,985	-	-	121,985
TOTAL A+B	**51,612,786**	**-**	**146,075**	**51,466,711**

A.1.7/ A.1.8 On-balance sheet credit exposure to customers: changes in gross non-performing exposures and in total adjustments

Nil.

95 As defined in the prudential requirements.

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of on and off-balance sheet exposures by external rating class

Exposure	External rating class						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet credit exposure	103	875,030	51,144,547	390	1,453	-	239,988	52,261,511
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	-	-
D. Commitments to disburse funds	-	-	-	-	-	-	-	-
E. Other	118,123	567,640	387,831	-	-	-	-	1,073,594
Total	**118,226**	**1,442,670**	**51,532,378**	**390**	**1,453**	**-**	**239,988**	**53,335,105**

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

A.3 Distribution of guaranteed exposures by type of guarantee

BancoPosta RFC has received securities as collateral with a fair value of €187,607 thousand as required by the agreements concluded for the mitigation of counterparty risk (GMRAs) as part of the financing in Repos (Part E, Section 3 – Liquidity risk, Table 3).

B. Distribution and concentration of credit exposures

B.1 Distribution of on and off-balance sheet credit exposures to customers by economic sector and carrying amount

Exposures/Counterparty	Governments			Other public entities			Finance companies			Insurance companies			Non-finance companies			Other entities		
	Net expos.	Specif. prov.	Coll. prov.	Net expos.	Specif. prov.	Coll. prov.	Net expos.	Specif. prov.	Coll. prov.	Net expos.	Specif. prov.	Coll. prov.	Net expos.	Specif. prov.	Coll. prov.	Net expos.	Specif. prov.	Coll. prov.
A. On-balance sheet exposures																		
A.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.2 Problem	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.3 Restructured	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Non-performing past-due	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.5 Other	50,056,821	X	4,753	141,678	X	2,355	947,122	X	3,921	87,137	X	11	100,438	X	16,785	11,530	X	118,250
TOTAL A	50,056,821	-	4,753	141,678	-	2,355	947,122	-	3,921	87,137	-	11	100,438	-	16,785	11,530	-	118,250
B. Off-balance sheet exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Problem	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.3 Other non-performing assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-
TOTAL B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B) at 31 December 2014	**50,056,821**	**-**	**4,753**	**141,678**	**-**	**2,355**	**947,122**	**-**	**3,921**	**87,137**	**-**	**11**	**100,438**	**-**	**16,785**	**11,530**	**-**	**118,250**
TOTAL (A+B) at 31 December 2013	**46,426,824**	**-**	**11,994**	**95,563**	**-**	**1,731**	**935,157**	**-**	**2,990**	**91,388**	**-**	**18**	**390,230**	**-**	**16,465**	**12,303**	**-**	**113,324**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposures/ Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	51,328,098	146,045	16,389	25	1	1	-	-	238	4
TOTAL A	51,328,098	146,045	16,389	25	1	1	-	-	238	4
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
TOTAL B	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B) at 31 December	**51,328,098**	**146,045**	**16,389**	**25**	**1**	**1**	**-**	**-**	**238**	**4**
TOTAL (A+B) at 31 December	**47,933,679**	**146,496**	**17,586**	**22**	**1**	**1**	**-**	**-**	**199**	**3**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposures/ Geographic area	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-
A.4 Non-performing past-due	-	-	-	-	-	-	-	-
A.5 Other	13,445	2,107	1,117	14,268	51,308,025	124,026	5,511	5,644
TOTAL A	13,445	2,107	1,117	14,268	51,308,025	124,026	5,511	5,644
B. Off-balance sheet exposures								
B.1 Non-performing	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-
TOTAL B	-	-	-	-	-	-	-	-
TOTAL (A+B) at 31 December 2014	**13,445**	**2,107**	**1,117**	**14,268**	**51,308,025**	**124,026**	**5,511**	**5,644**
TOTAL (A+B) at 31 December 2013	**22,886**	**1,775**	**1,190**	**14,104**	**47,903,640**	**125,925**	**5,963**	**4,692**

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

B.3 Distribution of on and off-balance sheet credit exposures to banks by geographic area and carrying amount

Exposures/ Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	64,284	-	852,491	-	-	-	9	-	1	-
TOTAL A	64,284	-	852,491	-	-	-	9	-	1	-
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	172,232	-	590,225	-	-	-	-	-	-	-
TOTAL B	172,232	-	590,225	-	-	-	-	-	-	-
TOTAL (A+B) at 31 December 2014	**236,516**	**-**	**1,442,716**	**-**	**-**	**-**	**9**	**-**	**1**	**-**
TOTAL (A+B) at 31 December 2013	**468,786**	**-**	**328,192**	**-**	**-**	**-**	**15**	**-**	**1**	**-**

B.3 Distribution of on and off-balance sheet credit exposures to banks by geographic area and carrying amount

Exposures/ Geographic area	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-
A.4 Non-performing past-due	-	-	-	-	-	-	-	-
A.5 Other	60,647	-	-	-	3,634	-	3	-
TOTAL A	60,647	-	-	-	3,634	-	3	-
B. Off-balance sheet exposures								
B.1 Non-performing	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other	172,232	-	-	-	-	-	-	-
TOTAL B	172,232	-	-	-	-	-	-	-
TOTAL (A+B) at 31 December 2014	**232,879**	**-**	**-**	**-**	**3,634**	**-**	**3**	**-**
TOTAL (A+B) at 31 December 2013	**458,314**	**-**	**-**	**-**	**10,470**	**-**	**2**	**-**

B.4 Large exposures (in compliance with supervisory standards)

In compliance with the supervisory standards in force, the table for "Large exposures" shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 87% of the total carrying amount. The remaining exposures regard primary counterparties represented by European banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposures		
a)	Carrying amount	58,517,729
b)	Weighted amount	2,163,756
c)	Number	9

C. Securitisations

Nil.

D. Information on unconsolidated structured entities (other than securitisation vehicles)

Nil.

E. Disposal of assets

A. Financial assets sold but not fully derecognised

Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

Quantitative information

E.1 Financial assets sold but not fully derecognised: carrying amount and gross amount

Asset/ Portfolio	Financial assets held for trading			Financial assets designated at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	At 31 December 2014	At 31 December 2013
A. On balance sheet assets	-	-	-	-	-	-	-	-	-	5,415,078	-	-	-	-	-	-	-	-	5,415,078	5,301,096
1. Debt securities	-	-	-	-	-	-	-	-	-	5,415,078	-	-	-	-	-	-	-	-	5,415,078	5,301,096
2. Equity instruments	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCIs	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
TOTAL AT 31 DECEMBER 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,415,078**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,415,078**	**X**
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X
TOTAL AT 31 DECEMBER 2013	**-**	**-**	**-**	**-**	**-**	**-**	**147,697**	**-**	**-**	**5,153,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**	**5,301,096**
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-

Key
A = Full recognition of financial assets sold to third parties (carrying amount)
B = Partial recognition of financial assets sold to third parties (carrying amount)
C = Partial recognition of financial assets sold to third parties (gross amount)

Details of the securities involved are as follows:

- €2,855 million relating to two three-year financings, settled in February 2015, as part of the Long-term Refinancing Operation arranged by the European Central Bank in February 2012;
- €2,560 million relating to other repurchase agreement financings.

E.2 Financial liabilities matched with assets sold but not derecognised: carrying amount

Liability/ Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Due from banks	Due from customers	Total
1. Due to customers	-	-	-	408,639	-	-	408,639
a) asset fully recognised	-	-	-	408,639	-	-	408,639
b) asset partially recognised	-	-	-	-	-	-	-
2. Due to banks	-	-	-	5,230,529	-	-	5,230,529
a) asset fully recognised	-	-	-	5,230,529	-	-	5,230,529
b) asset partially recognised	-	-	-	-	-	-	-
TOTAL AT 31 DECEMBER 2014	**-**	**-**	**-**	**5,639,168**	**-**	**-**	**5,639,168**
TOTAL AT 31 DECEMBER 2013	**-**	**-**	**147,990**	**4,774,990**	**-**	**-**	**4,922,980**

Section 2 - Market risk

Market risk relates to:

- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;

- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in market interest rates;
- cash flow inflation rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in inflation rates.

2.1 Interest rate and price risks - supervisory trading book

There were no supervisory trading book assets or liabilities at 31 December 2014. Poste Italiane SpA's financial operations guidelines for BancoPosta RFC prohibit the acquisition of assets and liabilities with the intention to trade, as defined by article 104 of EU Regulation 575/2013 in relation to classification of the "supervisory trading book".

2.2 Interest rate and price risks - banking book

Qualitative information

A. Generalities, operating procedures and interest rate and price risk measurement methods

- *Interest rate risk*

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results. This risk is of particular relevance to variable rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk is inherent in market rate euro zone government securities for which a fair value hedge has not been arranged. BancoPosta RFC's securities are predominantly natural fixed rate instruments or variable rate instruments transformed into fixed rate by cash flow hedges.

Interest rate risk is measured internally using the economic value method. This results in a need to develop an amortisation schedule for the funding consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 20 years is currently used for private customer deposits and 5 years for Public Sector deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability maturity gaps.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors – such as the duration of deposits, the value of investments and interest rate trends – that contribute to determining the measurement of exposure. In particular, the stress tests are based on an assumed reduction in the maximum time horizon (cut-off point) for private customer deposits, revaluation of the asset portfolio in response to adverse market movements, and non-parallel shifts in the interest rate curve.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance - in line with the risk appetite and thresholds and limits established in the RAF - with financial operations guidelines as approved from time to time by Poste Italiane SpA's Board of Directors.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC monitors market risk, including fair value interest rate and spread risks, inherent in available-for-sale financial assets and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

- *Spread risk*

Spread risk is inherent in euro zone government securities classified as available-for-sale financial assets. It is monitored weekly and became particularly important in the period 2011-2012, as it was the chief cause of the decrease in the fair value of the AFS portfolio. In 2014 the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 138 bps at 31 December 2014 (from 217 bps at 31 December 2013). The progressive improvement in the market's perception of Italy's credit rating in 2014 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified as available-for-sale (AFS), with some gains realised.

- *Price risk*

Price risk relates to available-for-sale financial assets.

The most significant of BancoPosta RFC's financial assets exposed to price risk are the Class B MasterCard Incorporated shares and the Class C Visa incorporated shares.

BancoPosta RFC monitors the price risk inherent in the shares by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

B. Fair value hedges

BancoPosta RFC's fair value interest rate risk hedges include entering into OTC fair value hedge asset swaps primarily with banks for individual securities in portfolio. These derivatives cannot hedge spread risk since they hedge market interest rate fluctuations through rate swaps. BancoPosta RFC made greater use of this type of transaction in 2014, in response to the low level of interest rates and in order to protect against the negative effects of rising interest rates.

C. Cash flow hedges

BancoPosta RFC's cash flow interest rate risk hedges include entering into OTC cash flow hedge asset swaps primarily with banks for individual securities in portfolio.

The pattern of portfolio maturities results in the need to invest funds in euro government securities resulting in an exposure to risk of an increase in prices as a consequence of decreasing yields. BancoPosta RFC is a buyer of cash flow forecast hedges to hedge this type of cash flow interest rate risk.

Quantitative information

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Euro

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	8,515,907	7,472,688	1,536,273	1,423,967	7,769,824	12,071,547	13,468,006	-
1.1 Debt securities	-	6,581,041	1,536,273	1,423,967	7,769,824	12,071,547	13,468,006	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	6,581,041	1,536,273	1,423,967	7,769,824	12,071,547	13,468,006	-
1.2 Due from banks	37,175	876,777	-	-	-	-	-	-
1.3 Due from customers	8,478,732	14,870	-	-	-	-	-	-
- current accounts	11,947	-	-	-	-	-	-	-
- other loans	8,466,785	14,870	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	8,466,785	14,870	-	-	-	-	-	-
2. On-balance sheet liabilities	41,298,441	4,448,394	360,975	-	1,507,962	-	-	-
2.1 Due to customers	41,012,127	692,090	360,975	-	-	-	-	-
- current accounts	40,013,173	143,450	360,975	-	-	-	-	-
- other deposits	998,954	548,640	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	998,954	548,640	-	-	-	-	-	-
2.2 Due to banks	286,314	3,756,304	-	-	1,507,962	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	286,314	3,756,304	-	-	1,507,962	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	1,320,000	-	-	4,390,000	3,010,000	275,000	-
+ short positions	-	1,700,000	-	-	-	1,120,000	6,175,000	-
4. Other off-balance sheet transactions								
+ long positions	-	169,016	-	-	-	-	-	-
+ short positions	-	169,016	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: US dollar

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	694	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	694	-	-	-	-	-	-	-
1.3 Due from customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Swiss franc

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	1,626	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	1,398	-	-	-	-	-	-	-
1.3 Due from customers	228	-	-	-	-	-	-	-
- current accounts	228	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Sterling

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	695	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	695	-	-	-	-	-	-	-
1.3 Due from customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Japanese yen

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	33	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	33	-	-	-	-	-	-	-
1.3 Due from customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Tunisian dinar

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	198	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	-	-	-	-	-	-	-	-
1.3 Due from customers	198	-	-	-	-	-	-	-
- current accounts	198	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking book: distribution of residual terms to maturity of financial assets and liabilities by repricing date

Currency: Other currencies

Asset - Liability / Residual term to maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	53	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	13	-	-	-	-	-	-	-
1.3 Due from customers	40	-	-	-	-	-	-	-
- current accounts	40	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methods of sensitivity analysis

- *Fair value interest rate risk*

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/- 100 bps.

BancoPosta's available-for-sale financial assets portfolio at 31 December 2014 had a duration of 5.24 years (31 December 2013: 5.08 years). The sensitivity analysis is shown in the table.

Fair value interest rate risk

Analysis date	Nominal value	Fair Value	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 effect								
Available-for-sale financial assets								
Debt securities	23,941,200	28,750,973	(1,013,797)	206,007	-	-	(1,013,797)	206,007
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
31 December 2014 variability	**23,941,200**	**28,750,973**	**(1,013,797)**	**206,007**	**-**	**-**	**(1,013,797)**	**206,007**
2013 effect								
Available-for-sale financial assets								
Debt securities	22,807,100	24,373,703	(1,069,561)	1,110,135	-	-	(1,069,561)	1,110,135
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
31 December 2013 variability	**22,807,100**	**24,373,703**	**(1,069,561)**	**1,110,135**	**-**	**-**	**(1,069,561)**	**1,110,135**

All of BancoPosta RFC's investments are classified as held-to-maturity and available-for-sale financial assets. The sensitivity analysis shown above is for the last of these categories.

- *Spread risk*

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, no hedging policy is in place to protect against credit spread risk. This means that, in the event of increases in interest rates attributable to pure rate component, unrealised losses on fixed rate bonds are offset by an increase in the value of hedging IRSs (a fair value hedge strategy). If, on the other hand, interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

The sensitivity analyses are shown below.

Fair value spread risk

Analysis date	Nominal value	Fair Value	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 effect								
Available-for-sale financial assets								
Debt securities	23,941,200	28,750,973	(2,122,183)	2,384,085	-	-	(2,122,183)	2,384,085
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
31 December 2014 variability	**23,941,200**	**28,750,973**	**(2,122,183)**	**2,384,085**	**-**	**-**	**(2,122,183)**	**2,384,085**
2013 effect								
Available-for-sale financial assets								
Debt securities	22,807,100	24,373,703	(1,585,709)	1,766,265	-	-	(1,585,709)	1,766,265
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
31 December 2013 variability	**22,807,100**	**24,373,703**	**(1,585,709)**	**1,766,265**	**-**	**-**	**(1,585,709)**	**1,766,265**

In addition to sensitivity analyses, BancoPosta RFC monitors fair value interest rate risk by computing maximum potential loss or VaR - Value at Risk. The results of the VaR analysis regarding the variability of spread risk are shown below.

Spread risk - VaR analyses

Analysis date	Risk exposure		Spread VaR
	Nominal value	Fair value	
2014 effect			
Available-for-sale financial assets			
Debt securities	23,941,200	28,750,973	237,911
Financial assets/liabilities held for trading	-	-	-
Asset/Liability - Hedging derivatives	-	-	-
31 December 2014 variability	**23,941,200**	**28,750,973**	**237,911**
2013 effect			
Available-for-sale financial assets			
Debt securities	22,807,100	24,373,703	135,518
Financial assets/liabilities held for trading	-	-	-
Asset/Liability - Hedging derivatives	-	-	-
31 December 2013 variability	**22,807,100**	**24,373,703**	**135,518**

Maximum potential loss (VaR - Value at Risk), a statistical estimation with a time horizon of 1 day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk.

In order to jointly monitor spread and fair value interest rate risks, the following table shows the results of the VaR analysis conducted with reference to available-for-sale financial assets and derivative financial instruments, taking into account the variability of both risk factors:

	2014	2013
Closing VaR	(215,830)	(138,098)
Average VaR	(181,574)	(256,398)
Minimum VaR	(101,534)	(129,239)
Maximum VaR	(280,680)	(424,595)

The increase in VaR at the end of the period, compared with 31 December 2013, reflects the increased duration of the securities held in portfolio, which has resulted in a rise in the component of VaR relating to spread risk.

- *Cash flow interest rate risk*

The sensitivity to cash flow interest rate risk at 31 December 2013 and 31 December 2014 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

Cash flow interest rate risk

	2014			2013		
	Nominal value	Net interest and other banking income		Nominal value	Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
- Account held at Bank of Italy	118,442	237	-	473,314	-	-
Due from banks	882,437	8,824	(2,548)	339,320	3,393	(592)
Due from customers						
- Deposits at MEF (Treasury)	5,467,139	54,671	(54,671)	5,078,026	50,780	(50,780)
- Buffer deposit at MEF	933,566	9,336	(467)	529,414	5,294	(1,324)
- Due from customers (collateral)	14,870	149	(43)	16,310	163	(29)
- Due from customers (Poste Italiane SpA outside the ring-fence)	63,764	638	(32)	382,023	3,820	(955)
Financial assets available-for-sale						
- Debt securities	1,490,000	14,900	(4,781)	1,700,000	17,000	(5,428)
Due to banks	(2,533,738)	(337)	98	(2,511,086)	(25,111)	6,270
Due to customers	(399,943)	-	-	(1,700,000)	(17,000)	4,250
Due to customers (Poste Italiane SpA outside the ring-fence)	(68,331)	(683)	34	(68,331)	(683)	171
Total variability	**5,968,206**	**87,735**	**(62,410)**	**4,238,990**	**37,656**	**(48,417)**

Cash flow interest rate risk at 31 December 2014 was primarily inherent in the placement of Public Sector deposits with the MEF.

- *Cash flow inflation rate risk*

Cash flow inflation rate risk at 31 December 2014 relates to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges.

Cash flow inflation rate risk

Analysis date	Nominal value	Fair Value	Changes in value		Profit before tax		Equity reserves before taxes	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2014 effect								
Available-for-sale financial assets								
Debt securities	2,510,000	2,908,707	177	(171)	177	(171)	-	-
31 December 2014 variability	**2,510,000**	**2,908,707**	**177**	**(171)**	**177**	**(171)**	**-**	**-**
2013 effect								
Available-for-sale financial assets								
Debt securities	2,525,000	2,742,321	174	(170)	174	(170)	-	-
31 December 2013 variability	**2,525,000**	**2,742,321**	**174**	**(170)**	**174**	**(170)**	**-**	**-**

- *Price risk*

The sensitivity of financial instruments to price risk is analysed by sensitivity stress testing based on historical volatility during the year, considered to be representative o potential market movements.

Price risk

Analysis date	Exposure	Changes in value		Net interest and other banking income		Equity reserves before taxes	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2014 effect							
Available-for-sale financial assets							
Equity instruments	56,313	13,642	(13,642)	-	-	13,642	(13,642)
31 December 2014 variability	**56,313**	**13,642**	**(13,642)**	**-**	**-**	**13,642**	**(13,642)**
2013 effect							
Available-for-sale financial assets							
Equity instruments	47,295	8,775	(8,775)	-	-	8,775	(8,775)
31 December 2013 variability	**47,295**	**8,775**	**(8,775)**	**-**	**-**	**8,775**	**(8,775)**

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 4.1.

Shares in the portfolio were sensitivity tested using similar listed shares adjusting for 2014 volatility. The shares' price risk is also monitored daily through the computation of VaR.

The sensitivity analyses are shown below:

	2014	2013
Closing VaR	(2,272)	(1,010)
Average VaR	(1,558)	(974)
Minimum VaR	(980)	(665)
Maximum VaR	(2,722)	(1,361)

2.3 Foreign exchange risk

Qualitative information

A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of portfolio, through fluctuations in foreign exchange rates. BancoPosta RFC is exposed to this risk principally through foreign currency bank accounts, foreign currency cash and MasterCard and VISA shares.

Foreign exchange risk is controlled by the Risk Management function using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rate equal to the volatility for the period are assumed to emulate market fluctuations.

B. Foreign exchange hedges

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items		Currency					
		US Dollar	Swiss Franc	Sterling	Japanese Yen	Tunisian Dinar	Other currencies
A.	Financial assets	57,007	1,626	695	33	198	170
A.1	Debt securities	-	-	-	-	-	-
A.2	Equity instruments	56,313	-	-	-	-	117
A.3	Due from banks	694	1,398	695	33	-	13
A.4	Due from customers	-	228	-	-	198	40
A.5	Other financial assets	-	-	-	-	-	-
B.	Other assets	3,387	1,650	1,578	133	-	-
C.	Financial liabilities	-	-	-	-	-	-
C.1	Due to banks	-	-	-	-	-	-
C.2	Due to customers	-	-	-	-	-	-
C.3	Debt securities	-	-	-	-	-	-
C.4	Other financial liabilities	-	-	-	-	-	-
D.	Other liabilities	-	-	-	-	-	-
E.	Financial derivatives						
- Options							
	+ Long positions	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-
- Other derivatives							
	+ Long positions	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-
Total assets		**60,394**	**3,276**	**2,273**	**166**	**198**	**170**
Total liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Position (+/-)		**60,394**	**3,276**	**2,273**	**166**	**198**	**170**

"Other assets" relate to foreign currencies held in post offices for foreign exchange services.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

Foreign exchange risk - US dollar

Analysis date	US dollar position ($000)	EUR position (€000)	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2014 effect								
Available-for-sale Investments								
Equity instruments	68,370	56,313	3,520	(3,520)	-	-	3,520	(3,520)
31 December 2014 variability	**68,370**	**56,313**	**3,520**	**(3,520)**	**-**	**-**	**3,520**	**(3,520)**
2013 effect								
Available-for-sale Investments								
Equity instruments	65,226	47,295	3,500	(3,500)	-	-	3,500	(3,500)
31 December 2013 variability	**65,226**	**47,295**	**3,500**	**(3,500)**	**-**	**-**	**3,500**	**(3,500)**

2.4 Derivatives

A. Financial derivatives

A.1 Supervisory trading book: closing and average notional amounts

Nil.

A.2 Banking book: closing and average notional amounts

A.2.1 Hedging

Underlyings / Type of derivative		Balance at 31 December 2014		Balance at 31 December 2013	
		Over the counter	Central counterparties	Over the counter	Central counterparties
1.	Debt securities and interest rates	8,995,000	-	6,125,000	-
	a) Options	-	-	-	-
	b) Swaps	8,995,000	-	6,125,000	-
	c) Forwards	-	-	-	-
	d) Futures	-	-	-	-
	e) Other	-	-	-	-
2.	Equity instruments and stock indices	-	-	-	-
	a) Options	-	-	-	-
	b) Swaps	-	-	-	-
	c) Forwards	-	-	-	-
	d) Futures	-	-	-	-
	e) Other	-	-	-	-
3.	Currencies and gold	-	-	-	-
	a) Options	-	-	-	-
	b) Swaps	-	-	-	-
	c) Forwards	-	-	-	-
	d) Futures	-	-	-	-
	e) Other	-	-	-	-
4.	Commodities	-	-	-	-
5.	Other underlyings	-	-	-	-
Total		**8,995,000**	**-**	**6,125,000**	**-**
Averages		**7,989,780**	**-**	**6,301,871**	**-**

A.2.2 Other derivatives

Nil.

A.3 Financial derivatives: positive gross fair value by product

Book/Type of derivative	Positive fair value			
	Balance at 31 December 2014		Balance at 31 December 2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging	48,601	-	32,087	-
a) Options	-	-	-	-
b) Interest rate swaps	48,601	-	32,087	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**48,601**	**-**	**32,087**	**-**

A.4 Financial derivatives: negative gross fair value by product

Book/Type of derivative	Negative fair value			
	Balance at 31 December 2014		Balance at 31 December 2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging	1,720,212	-	470,973	-
a) Options	-	-	-	-
b) Interest rate swaps	1,720,212	-	470,973	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**1,720,212**	**-**	**470,973**	**-**

A.5 / A.6 OTC financial derivatives - supervisory trading book: notional amount, gross negative and positive fair value by counterparty - contracts falling and not falling within the scope of netting agreements

Nil.

A.7 OTC financial derivatives - banking book: notional amount, gross negative and positive fair value by counterparty - contracts not falling within the scope of netting agreements

Nil.

A.8 OTC financial derivatives - banking book: notional amount, gross negative and positive fair value by counterparty - contracts falling within the scope of netting agreements

Contracts falling within the scope of netting agreements	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurance companies	Non-finance companies	Other entities
1) Debt securities and interest rates							
- notional amount	-	-	8,825,000	170,000	-	-	-
- positive fair value	-	-	48,601	-	-	-	-
- negative fair value	-	-	(1,705,216)	(14,216)	-	-	-
2) Equity instruments and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual terms to maturity of OTC financial derivatives: notional amounts

Underlyings/Residual term to maturity	1 year or less	1 - 5 years	over 5 years	Total
A. Supervisory trading book	-	-	-	-
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on other underlyings	-	-	-	-
B. Banking book:	-	715,000	8,280,000	8,995,000
B.1 Financial derivatives on debt securities and interest rates	-	715,000	8,280,000	8,995,000
B.2 Financial derivatives on equity instruments and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other underlyings	-	-	-	-
Total at 31 December 2014	**-**	**715,000**	**8,280,000**	**8,995,000**
Total at 31 December 2013	**-**	**170,000**	**8,280,000**	**6,125,000**

B. Credit derivatives

Not applicable.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposures by counterparty

	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurance companies	Non-finance companies	Other entities
1) Bilateral agreements financial derivatives							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	(1,656,615)	(14,996)	-	-	-
- future exposure	-	-	50,770	340	-	-	-
- net counterparty risk	-	-	50,770	340	-	-	-
2) Bilateral agreements credit derivatives							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross product agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 - Liquidity risk

Qualitative information

A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities:
- the availability of the interbank markets as a source of repurchase agreement finance due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In terms of BancoPosta RFC's specific operations, liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for private customers and five years for Public Sector customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:

- short-term deposits created through spot sales and forward purchases of BTP to optimise earnings and accommodate temporary shortfalls of current account balances or to meet cash obligations in connection with collateral contracts;

- two three-year financings (Three-year Long-term Refinancing Operations), totalling €2.9 billion, outstanding under the refinancing facility arranged by the European Central Bank in 2012 (see Part B, Liabilities, Sections 1 and 2);
- other LTROs, amounting to an outstanding €1.9 billion.

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risks at the beginning of this Part E.

The liquidity risk resulting from contract terms requiring the provision of additional collateral in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold amount[96] to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below "BBB-". The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basle 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Thanks to the nature of its balance sheet (significant holdings of EU government securities and a preponderance of retail deposits), in BancoPosta's case the indicators are well above the limits imposed by the prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

[96] The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.

Quantitative information

1. Distribution of residual terms to maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005, third Revision and relevant clarifications provided by the Supervisory Body), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

Currency: Euro

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	8,661,982	891,647	-	9,900	2,182,773	674,331	1,981,316	10,437,456	24,492,843	-
A.1 Government securities	-	-	-	9,900	2,182,773	674,331	1,981,316	10,437,456	24,492,843	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,661,982	891,647	-	-	-	-	-	-	-	-
- Banks	37,175	876,777	-	-	-	-	-	-	-	-
- Customers	8,624,807	14,870	-	-	-	-	-	-	-	-
On-balance sheet liabilities	41,801,807	308,809	247,727	299,888	3,593,263	360,398	-	1,500,515	-	-
B.1 Deposits and current accounts	40,300,665	187,895	17,044	71,799	39,842	360,398	-	-	-	-
- Banks	286,307	33,737	-	-	-	-	-	-	-	-
- Customers	40,014,358	154,158	17,044	71,799	39,842	360,398	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,501,142	120,914	230,683	228,089	3,553,421	-	-	1,500,515	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal										
- Long positions	-	-	-	2,751	44,466	714	51,290	-	-	-
- Short positions	-	-	-	-	31,670	-	53,968	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	169,016	-	-	-	-	-	-	-	-
- Short positions	-	169,016	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: US dollar

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	694	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	694	-	-	-	-	-	-	-	-	-
- Banks	694	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Swiss franc

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	1,626	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,626	-	-	-	-	-	-	-	-	-
- Banks	1,398	-	-	-	-	-	-	-	-	-
- Customers	228	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Sterling

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	695	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	695	-	-	-	-	-	-	-	-	-
- Banks	695	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Japanese yen

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	33	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	33	-	-	-	-	-	-	-	-	-
- Banks	33	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Tunisian dinar

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	198	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	198	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	198	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Other currencies

Asset - Liability/Residual terms to maturity	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	> 5 years	Unspecified maturity
On-balance sheet assets	53	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	53	-	-	-	-	-	-	-	-	-
- Banks	13	-	-	-	-	-	-	-	-	-
- Customers	40	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Disclosure on encumbered assets recognised in the financial statements

Type of asset	Encumbered		Unencumbered		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	At 31 December 2014	At 31 December 2013
1. Cash and cash equivalents	-	x	2,878,161	x	2,878,161	3,077,596
2. Debt securities	6,061,825	7,460,310	36,788,833	37,554,074	42,850,658	39,594,865
3. Equity instruments	-	-	56,430	56,430	56,430	47,412
4. Loans	891,647	x	8,519,206	x	9,410,853	8,732,349
5. Other financial assets	-	x	48,601	x	48,601	32,087
6. Non-financial assets	-	x	1,725,133	x	1,725,133	1,621,102
Total at 31 December 20	**6,953,472**	**7,460,310**	**50,016,364**	**37,610,504**	**56,969,836**	**X**
Total at 31 December 20	**5,754,144**	**5,778,484**	**47,351,267**	**34,656,414**	**X**	**53,105,411**

3. Information on encumbered owned assets not recognised in the financial statements

Type of asset	Encumbered	Unencumbered	Total at 31 December 2014	Total at 31 December 2013
1. Financial assets	-	186,607	186,607	230,512
- Securities	-	186,607	186,607	230,512
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total at 31 December 2014	**-**	**186,607**	**186,607**	**X**
Total at 31 December 2013	**-**	**230,512**	**X**	**230,512**

Section 4 - Operational risk

Qualitative information

A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operating risk related to its products/process.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

Quantitative information

At 31 December 2014, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. These are as follows:

Operational risk

Event type	Number of types
Internal fraud	31
External fraud	48
Employee practices and workplace safety	8
Customers, products and business practices	35
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	183
Total at 31 December 2014	317

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Part F – Information on Equity

Section 1 – BancoPosta RFC's Equity

Qualitative information

The new prudential regulations for banks and investment firms, transposing the Basel 3 framework into EU law, came into force from 1 January 2014. The rules have been adopted within the EU by EU Regulation 575/2013 (the so-called Capital Requirements Regulation – CRR) and Directive 2013/36/EU (the so-called Capital Requirements Directive – CRD IV), and in Italy by Bank of Italy Circular 285 issued on 17 December 2013, as revised. In the third revision of this last document, the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity[97].

As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards.

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of the 15th revision of Circular 263 of 27 December 2006, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF[98]. Compliance with the metrics established by the RAF influences decisions regarding profit distributions as part of capital management.

Quantitative information

B.1 Equity: analysis

Equity accounts/Amounts	Balance at 31 December 2014	Balance at 31 December 2013
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	1,798,990	1,598,990
- revenue reserves	798,990	598,990
a) legal	-	-
b) required by articles	-	-
c) treasury shares	-	-
d) other	798,990	598,990
- Other	1,000,000	1,000,000
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	1,618,207	504,281
- Available-for-sale financial assets	1,573,116	523,720
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of net investments in foreign operations	-	-
- Cash flow hedges	48,017	(18,194)
- Translation differences	-	-
- Non-current assets included in disposal groups	-	-
- Actuarial profits/(losses) on defined benefit plans	(2,926)	(1,245)
- Valuation reserves relating to equity accounted investments	-	-
- Special revaluations laws	-	-
7. Profit/(Loss) for the year	439,665	374,030
Total	**3,856,862**	**2,477,301**

97 On 27 May 2014, the Bank of Italy added Part 4, covering certain types of intermediary, to Circular 285/2013. This contains the prudential standards applicable to BancoPosta.

98 A definition of the RAF is provided in the "Introduction" to Part E.

"Reserves, other" consists of the initial reserve of €1 billion provided to BancoPosta RFC on its creation, through the attribution of Poste Italiane SpA's retained earnings.

B.2 Valuation reserve for available-for-sale financial assets: analysis

Asset/Amounts	Balance at 31 December 2014		Balance at 31 December 2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,682,870	(164,554)	691,944	(214,130)
2. Equity instruments	54,800	-	45,906	-
3. UCIs	-	-	-	-
4. Loans	-	-	-	-
Total	**1,737,670**	**(164,554)**	**737,850**	**(214,130)**

B.3 Valuation reserve for available-for-sale financial assets: movements during the year

	Debt securities	Equity instruments	UCIs	Loans
1. Opening balance	**477,814**	**45,906**	**-**	**-**
2. Increases	1,252,872	8,894	-	-
2.1 Increases in fair value	1,238,053	8,894	-	-
2.2 Reversal to income statement of negative reserve:	14,765	-	-	-
- impairments	-	-	-	-
- disposals	14,765	-	-	-
2.3 Other increases	54	-	-	-
3. Decreases	(212,370)	-	-	-
3.1 Decrease in fair value	(42,047)	-	-	-
3.2 Impairments	-	-	-	-
3.3 Reversal to income statement of positive reserve on disposal	(170,323)	-	-	-
3.4 Other increases	-	-	-	-
4. Closing balance	**1,518,316**	**54,800**	**-**	**-**

B.4 Defined benefits plans valuation reserve: movements during the year

	Balance at 31 December 2014	Balance at 31 December 2013
Opening actuarial gains/(losses)	**(1,245)**	**(2,021)**
Actuarial gains/(losses)	(2,318)	1,071
Taxation of actuarial gains/(losses)	637	(295)
Closing actuarial gains/(losses)	**(2,926)**	**(1,245)**

Section 2 – Own funds and capital ratios

2.1 Own funds

A. Qualitative information

According to the framework defined by the Bank of Italy, own funds consist of two levels:

- Tier 1 Capital, in turn consisting of:
  - Common Equity Tier 1 – CET1;
  - Additional Tier 1 - AT1;
- Tier 2 Capital - T2.

BancoPosta RFC's own funds are all Common Equity Tier 1 and, on a transitional basis, Tier 2.

1. Common Equity Tier 1 – CET1

CET1 consists of elements that enable the entity to absorb any losses and continue operating as a going concern, thanks to its particular nature, such as the level of subordination, unredeemability and the absence of any obligation to pay dividends.

BancoPosta's CET1 consists of:

- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds[99];
- undistributed earnings, being Bancoposta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements;
- other components of comprehensive income, being the "Valuation reserves", with the exception of those relating to exposures to central government classified in "Available-for-sale financial assets"[100].

The new framework is to be gradually introduced over a transitional period terminating in 2017. This envisages the partial computation/deduction of certain elements that, once the framework is fully effective, which be computed/deducted in full from CET1. In the case of BancoPosta, in view of the transitional regime, the "Valuation reserves" for the equity instruments (Visa and Mastercard) classified in "Available-for-sale financial assets", have not been included in the computation of CET1[101] at 31 December 2014, but only partially computed in Tier 2, as provided for in Bank of Italy Circular 285/2013, in implementation of article 481 of the CRR.

The framework prudentially requires a series of elements to be deducted from CET1. In the case of BancoPosta, these relate solely to DTA (deferred tax assets), which are recognised on the basis of future taxable income and generated by temporary differences. In this regard, however, BancoPosta RFC does not apply any deduction, as the amount of these assets falls within the threshold for computation set by the prudential framework.

The framework also requires the application of prudential filters to CET1 which, in BancoPosta's case, are represented by additional adjustments[102] to the value of assets designated at fair value (so-called "Prudent valuation"). These adjustments are applied to the shares in Visa and Mastercard classified in "Available-for-sale financial assets". As noted above, however, bearing in mind that the shares will be included in the computation of own funds from 2015, the prudential filter will be applied in accordance with the transitional regime for the asset subject to adjustment.

2. Additional Tier 1 – AT1

BancoPosta does not hold any Additional Tier 1 capital.

3. Tier 2 Capital –T2

Tier 2 Capital represents the capital capable of absorbing losses in the event of a crisis (so-called "gone concern capital"). Under the transitional regime, BancoPosta RFC holds Tier 2 capital consisting solely of "Valuation reserves" for equity instruments classified in "Available-for-sale financial assets". 50% of these reserves is eligible for computation

[99] Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

[100] The prudential standards specific to BancoPosta exclude these reserves from CET1, in view of the requirement to invest the funds raised from deposits paid into accounts by private customers in euro area government securities or in securities guaranteed by the Italian government.

[101] The percentage eligible for computation under the transitional regime is 0% for 2014, 40% for 2015, rising by 20% each year until it will be computed in full from 2018.

[102] Calculation of the adjustments is based on a simplified approach (see EBA/RTS/2014/06 of 31 March 2014).

in Tier 2 until 31 December 2017, based on a percentage that decreases over the years. At 31 December 2014, this percentage is 80%[103].

B. Quantitative information

	Items/Amounts	Amount at 31 December 2014
A.	Common Equity Tier 1 - CET1, before application of prudential filters	1,796,064
	of which CET1 instruments subject to transitional requirements	-
B.	Prudential CET1 filters (+/-)	-
C.	CET1 before investments to be deducted and adjustments for the transitional regime (A+/- B)	1,796,064
D.	Elements to be deducted from CET1	-
E.	Transitional regime - Impact on CET1 (+/-)	-
F.	Total Common Equity Tier 1 - CET1 (C - D +/- E)	1,796,064
G.	Additional Tier 1 - AT1 before elements to be deducted and adjustments for the transitional regime	-
	of which AT1 instruments subject to transitional requirements	-
H.	Elements to be deducted from AT1	-
I.	Transitional regime - Impact on AT1 (+/-)	-
L.	Total Additional Tier 1 - AT1 (G - H +/- I)	-
M.	Tier 2 - T2 before investments to be deducted and adjustments for the transitional regime	-
	of which T2 instruments subject to transitional requirements	-
N.	Elements to be deducted from T2	-
O.	Transitional regime - Impact on T2 (+/-)	21,920
P.	Total Tier2 - T2 (M - N +/- O)	21,920
Q.	Total own funds (F + L + P)	1,817,984

CET1 consists of the initial equity reserve of €1,000,000 thousand provided to BancoPosta RFC on its creation, retained earnings of €798,990 thousand and the negative valuation reserves for defined benefit plans, totalling €2,926 thousand.

Profit for the year, amounting to €439,665 thousand, has not been computed in accordance with article 26 of EU Regulation 575/2013.

Under the transitional regime, Tier 2 consists of 50% of the "Valuation reserve" for the shares in Visa and Mastercard, 80% of which is eligible for computation for 2014.

2.2 Capital adequacy

A. Qualitative information

Based on the prudential standards applicable from 31 December 2014, BancoPosta is required to comply with the following minimum capital ratios:

- Total capital ratio (the ratio of total own funds to total risk weighted assets - RWA[104]), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer[105]);
- Common Equity Tier 1 ratio (the ratio of CET1 to total RWA): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of T1 and total RWA): equal to 8.0% (5.5% being the minimum requirement and 2.5% being the capital conservation buffer).

[103] For 2015, the percentage eligible for computation is 60%, and then 40% for 2016 and 20% for 2017.

[104] Risk weighted assets, or RWA, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.

[105] The capital conservation buffer is designed to ensure a minimum level of regulatory capital under adverse markets conditions by enabling the build-up of high-quality capital outside periods of market stress.

In calculating the capital requirements regarding credit and counterparty risk, BancoPosta applies the standardised approach provided for by EU Regulation 575/2013. In calculating the Credit Valuation Adjustment (CVA), the standardised approach provided for by EU Regulation 575/2013 is used.

In the case of BancoPosta RFC, credit risk derives primarily from exposures in the form of cash deposits and securities pledged as collateral (under counterparty risk mitigation agreements, such as CSAs and GMRAs), and trade receivables due from partners as a result of the arrangement of financial and insurance products[106]. Exposures resulting from the investment of funds raised from deposits paid into accounts by private and Public Sector customers (euro area government securities and amounts deposited with the MEF) and amounts due from the Italian Treasury as a result of depositing funds gathered, less payables for advances disbursed, do not, for the purposes of credit risk, result in the absorption of capital, as these exposures have a zero weighting.

Counterparty risk derives from exposures resulting from cash flow and fair value hedges and repurchase agreements[107].

Market risks solely regard foreign exchange risk which, in BancoPosta RFC's case, principally derives from foreign currency bank accounts, foreign currency holdings and the MasterCard and VISA shareholdings. In calculating the capital requirements regarding foreign exchange risk, the standardised approach provided for by EU Regulation 575/2013 is applied.

In calculating Pillar 1 capital requirements for operational risk, BancoPosta applied the simplified approach (BIA – Basic Indicator Approach) provided for by EU Regulation 575/2013. This consists of applying a percentage of 15% to the average of the relevant indicator for the last three years[108] as at the end of the reporting period.

[106] See the previous description in Part E – Section 1, Credit risk.

[107] The estimated risk exposure for derivative financial instruments is based on the "Market value" method, whilst the exposure deriving from repurchase agreements is estimated using the Credit Risk Mitigation (CRM) techniques, the "Full Method". Further information is provided in Part E – Section 1, Credit risk.

[108] BancoPosta RFC calculates the relevant indicator as the sum of the following income statement items (in accordance with IAS): net interest income (items 10-20); net fee and commission income (items 40-50); the portion of "other operating income" not generated by extraordinary or non-recurring items (a portion of the positive component of item 190); net profits on the trading book (items 80, 90, 100b, 100c, 110); dividends (item 70).

B. Quantitative information

Categories / Amounts	Unweighted amounts	Weighted amounts/Requirement
	At 31 December 2014	At 31 December 2014
A. RISK ASSETS		
A.1 Credit and counterparty risk	58,255,834	2,232,203
1. Standardised approach	58,255,834	2,232,203
2. Internal ratings based approach	-	-
2.1 Basic	-	-
2.2 Advanced	-	-
3. Securitisations	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS		
B.1 Credit and counterparty risk		178,576
B.2 Risk of changes in credit ratings		-
B.3 Regulatory risk		-
B.4 Market risks		5,318
1. Standard approach		5,318
2. Internal models		-
3. Concentration risk		-
B.5 Operational risk		797,057
1. Basic approach		797,057
2. Standardised approach		-
3. Advanced approach		-
B.6 Other elements in the calculation		-
B.7 Total prudential requirements		980,951
C. RISK ASSETS AND CAPITAL RATIOS		
C.1 Weighted risk assets		12,261,888
C.2 CET1 capital ratio		14.65%
C.3 Tier 1 capital ratio		14.65%
C.4 Total capital ratio		14.82%

The table shows BancoPosta's position regarding compliance with the Pillar 1 capital requirements governed by the CRR.

Unweighted risk exposures do not take into account risk mitigation techniques and the credit conversion factors used for off-balance sheet exposures.

The principal risk is operational, which absorbs approximately 81% of total prudential requirements. Credit risk amounts to €157,970 thousand, whilst the remaining amount absorbed regards counterparty risk (€20,606 thousand). Market risk solely regards foreign exchange risk, which absorbs less than 1% of total capital requirements.

At 31 December 2014, BancoPosta RFC complies with the prudential requirements specified in the section on qualitative information.

Part G – Business combinations

No business combinations took place either during or subsequent to the period under review.

Part H - Related party transactions

1. Payments to key management personnel

Key management personnel consist of Directors of Poste Italiane SpA and first-line managers, whose compensation before social security and welfare charges and contributions are disclosed in table 4.4.5 in the notes on Poste Italiane's financial statements and have been charged to BancoPosta RFC as part of the services provided by Poste Italiane functions outside the ring-fence (see Part C, Table 9.5). The charges are calculated in accordance with specific operating instructions (Part A, paragraph A.1, Section 4).

2. Related party transactions

Impact of related party transactions on the financial position at 31 December 2014

Name	Balance at 31 December 2014						
	Financial assets	Due from banks and customers	Hedging derivatives	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	66,139	-	-	-	221,979	307,992
Direct subsidiaries							
Banca del Mezzogiorno MCC SpA	-	21	-	-	-	5,520	-
BancoPosta Fondi SpA SGR	-	9,467	-	-	-	13,866	-
CLP ScpA	-	-	-	-	-	6,287	6,103
Consorzio PosteMotori	-	14,266	-	-	-	19,906	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	121	-
EGI SpA	-	-	-	-	-	14,928	-
Mistral Air Srl	-	-	-	-	-	601	-
PatentiViaPoste ScpA	-	-	-	-	-	5,032	-
Poste Energia SpA	-	-	-	-	-	681	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-
Poste Tributi ScpA	-	3,226	-	-	-	2,486	-
Poste Tutela SpA	-	-	-	-	-	7,010	-
Poste Vita SpA	-	80,697	-	-	-	63,980	-
Postecom SpA	-	6	-	-	-	8,746	2,920
Postel SpA	-	-	-	-	-	7,124	-
PosteMobile SpA	-	1,849	-	-	-	14,289	855
PosteShop SpA	-	-	-	-	-	1,283	-
SDA Express Courier SpA	-	-	-	-	-	3,719	-
Indirect subsidiaries							
Address Software Srl	-	-	-	-	-	4	-
Italia Logistica Srl	-	-	-	-	-	5	-
Kipoint SpA	-	-	-	-	-	61	-
Poste Assicura SpA	-	6,370	-	-	-	2,083	-
PostelPrint SpA	-	-	-	-	-	4,748	19,818
Uptime SpA [1]	-	-	-	-	-	-	-
Associates							
Docugest SpA	-	-	-	-	-	-	-
ItalCamp Srl	-	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	14	-
Related parties external to the Group							
Ministry of the Economy and Finance	-	7,187,478	-	-	-	-	-
Cassa Depositi e Prestiti Group	-	901,118	-	-	-	408,639	8,014
Enel Group	-	6,223	-	-	-	-	7,010
ENI Group	-	397	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	5,410
Finmeccanica Group	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	1,493
Provision for doubtful debts owing from external related parties	-	(8,580)	-	-	-	-	-
Total	**-**	**8,268,677**	**-**	**-**	**-**	**813,112**	**359,615**

(1) Joint venture

Impact of related party transactions on the financial position at 31 December 2013

Name	Balance at 31 December 2013						
	Financial assets	Due from banks and customers	Hedging derivatives	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	382,727	-	-	-	155,277	380,016
Direct subsidiaries							
Banca del Mezzogiorno MCC SpA	-	29	-	-	-	3,730	-
BancoPosta Fondi SpA SGR	-	4,072	-	-	-	841	-
CLP ScpA	-	-	-	-	-	908	4,534
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	461	-
EGI SpA	-	-	-	-	-	10,952	-
Mistral Air Srl	-	-	-	-	-	557	-
PatentiViaPoste ScpA	-	-	-	-	-	1,961	-
Poste Energia SpA	-	-	-	-	-	71	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-
Poste Tributi ScpA	-	2,057	-	-	-	2,026	-
Poste Tutela SpA	-	-	-	-	-	5,122	-
Poste Vita SpA	-	87,187	-	-	-	35,191	-
Postecom SpA	-	-	-	-	-	8,313	5,435
Postel SpA	-	-	-	-	-	1,253	-
PosteMobile SpA	-	1,844	-	-	-	19,408	637
PosteShop SpA	-	-	-	-	-	2,739	-
SDA Express Courier SpA	-	-	-	-	-	3,481	-
Indirect subsidiaries							
Address Software Srl	-	-	-	-	-	4	-
Italia Logistica Srl	-	-	-	-	-	5	-
Kipoint S.p.A.	-	-	-	-	-	189	-
Poste Assicura SpA	-	3,877	-	-	-	2,377	-
PostelPrint SpA	-	-	-	-	-	2,435	13,536
Uptime SpA (1)	-	-	-	-	-	-	-
Associates							
Docugest SpA	-	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	-	-
Related parties external to the Group							
Ministry of the Economy and Finance	-	6,823,285	-	-	-	-	-
Cassa Depositi e Prestiti Group	-	893,418	-	-	-	1,729,856	-
Enel Group	-	-	-	-	-	-	7,105
ENI Group	-	-	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	1,614
Finmeccanica Group	-	-	-	-	-	-	-
Other related parties external to the Group	-	1	-	-	-	-	1,004
Provision for doubtful debts owing from external related parties	-	(14,582)	-	-	-	-	-
Total	**-**	**8,183,915**	**-**	**-**	**-**	**1,987,157**	**413,881**

(1) Joint venture

Impact of related party transactions on the results of operations for the year ended 31 December 2014

	For the year ended 31 December 2014							
Name	**Interest and similar income**	**Interest and similar expense**	**Fee income**	**Fee expenses**	**Dividends and similar income**	**Net losses/recoveries on impairments**	**Administrative expenses**	**Other operating income/(expenses)**
Poste Italiane SpA	1,692	(425)	-	-	-	-	(4,499,538)	-
Direct subsidiaries								
Banca del Mezzogiorno MCC SpA	-	(11)	97	-	-	-	-	9
BancoPosta Fondi SpA SGR	-	(14)	18,241	-	-	-	-	72
CLP ScpA	-	(8)	699	-	-	-	(7,339)	295
Consorzio PosteMotori	-	(9)	14,266	-	-	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	(5)	-	-	-	-	(4,819)	-
EGI SpA	-	(48)	-	-	-	-	(17)	36
Mistral Air Srl	-	(2)	-	-	-	-	-	-
PatentiViaPoste ScpA	-	(15)	-	-	-	-	-	-
Poste Energia SpA	-	(11)	-	-	-	-	-	18
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-
Poste Tributi ScpA	-	(5)	1,313	-	-	-	-	75
Poste Tutela SpA	-	(25)	-	-	-	-	-	695
Poste Vita SpA	-	(572)	353,174	-	-	-	-	143
Postecom SpA	-	(37)	6	-	-	-	(7,079)	463
Postel SpA	-	(10)	1	-	-	-	(241)	15
PosteMobile SpA	-	(88)	1,671	-	-	-	(1,236)	349
PosteShop SpA	-	(5)	-	-	-	-	(2)	51
SDA Express Courier SpA	-	(10)	657	-	-	-	(2,107)	-
Indirect subsidiaries								
Address Software Srl	-	-	-	-	-	-	-	-
Italia Logistica Srl	-	-	-	-	-	-	-	550
Kipoint SpA	-	(1)	-	-	-	-	(16)	-
Poste Assicura SpA	-	(10)	17,908	-	-	-	-	45
PostelPrint SpA	-	(5)	-	-	-	-	(44,032)	(4)
Uptime SpA [(1)]	-	-	-	-	-	-	-	-
Associates								
Docugest SpA	-	-	-	-	-	-	-	-
ItalCamp Srl	-	-	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	-	-	-
Related parties external to the Group								
Ministry of the Economy and Finance	130,553	(50)	2,942	-	-	-	-	-
Cassa Depositi e Prestiti Group	-	(5,924)	1,640,267	-	-	-	(17,239)	-
Enel Group	5,354	-	-	-	-	-	-	(37)
ENI Group	168	-	-	-	-	-	-	-
Equitalia Group	-	(3,670)	-	-	-	-	-	-
Finmeccanica Group	-	-	-	-	-	-	-	-
Other related parties	-	(4,042)	-	-	-	-	(492)	(2)
Total	**137,767**	**(15,002)**	**2,051,242**	**-**	**-**	**-**	**(4,584,157)**	**2,773**

(1) Joint venture

Impact of related party transactions on the results of operations for the year ended 31 December 2013

Name	For the year ended 31 December 2013							
	Interest and similar income	**Interest and similar expense**	**Fee income**	**Fee expenses**	**Dividends and similar income**	**Net losses/recoveries on impairments**	**Administrative expenses**	**Other operating income/(expenses)**
Poste Italiane SpA	5,203	(2,450)	-	-	-	-	(4,423,716)	-
Direct subsidiaries								
Banca del Mezzogiorno MCC SpA	-	(33)	222	-	-	-	-	-
BancoPosta Fondi SpA SGR	-	(15)	16,874	-	-	-	-	1
CLP ScpA	-	(3)	-	-	-	-	(6,935)	-
Consorzio Servizi Telef. Mobile ScpA	-	(3)	-	-	-	-	-	-
EGI SpA	-	(39)	-	-	-	-	-	-
Mistral Air Srl	-	(2)	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-
Poste Energia SpA	-	(6)	-	-	-	-	-	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-	-
Poste Tributi ScpA	-	(9)	2,430	-	-	-	-	10
Poste Tutela SpA	-	(19)	-	-	-	-	-	-
Poste Vita SpA	-	(388)	323,370	-	-	-	-	-
Postecom SpA	-	(42)	-	-	-	-	(6,721)	-
Postel SpA	-	(10)	-	-	-	-	-	-
PosteMobile SpA	-	(99)	1,595	-	-	-	(637)	-
PosteShop SpA	-	(8)	-	-	-	-	-	-
SDA Express Courier SpA	-	(9)	-	-	-	-	-	-
Indirect subsidiaries								
Address Software Srl	-	-	-	-	-	-	-	-
Italia Logistica Srl	-	-	-	-	-	-	-	-
Kipoint S.p.A.	-	(1)	-	-	-	-	-	-
Poste Assicura SpA	-	(9)	12,998	-	-	-	-	-
PostelPrint SpA	-	(6)	-	-	-	-	(52,531)	7
Uptime SpA (1)	-	-	-	-	-	-	-	-
Associates								
Docugest SpA	-	-	-	-	-	-	-	-
Telma Sapienza Scarl	-	-	-	-	-	-	-	-
Related parties external to the Group								
Ministry of the Economy and Finance	214,435	-	2,339	-	-	-	-	-
Cassa Depositi e Prestiti Group	-	(18,638)	1,620,000	-	-	-	-	-
Enel Group	-	-	248	-	-	-	(227)	-
ENI Group	-	-	19	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	(2,136)	-
Finmeccanica Group	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-	(3,456)	-
Total	**219,638**	**(21,789)**	**1,980,095**	**-**	**-**	**-**	**(4,496,359)**	**18**

(1) Joint venture

Part I - Share-based payment arrangements

There were no share based payment arrangements at the reporting date.

Part L - Segment information

The economic flows and performance of the operations are reported internally on a regular basis to executives without identifying segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

8. REPORTS AND ATTESTATIONS

Attestation of the separate and consolidated financial statements for the year ended 31 December 2014 pursuant to art. 154-*bis* of Legislative Decree 58/1998

1. The undersigned, Francesco Caio, as Chief Executive Officer, and Luigi Ferraris, as Manager responsible for Poste Italiane SpA's financial reporting, having also taken account of the provisions of art.154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company and
- the effective application of the administrative and accounting procedures adopted in preparation of the separate and consolidated financial statements during 2014.

2. In this regard, it should be noted that, as highlighted in the Internal Control-Integrated framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the international standard body of generally accepted principles of internal control, as expressly referred to by Confindustria (the main organization representing Italian manufacturing and services companies) in its Guidelines for the role of Manager responsible for financial reporting pursuant to art.154-bis of the Consolidated Law on Finance, an internal control system, no matter how well designed and implemented, can only provide reasonable, not absolute, assurance that the company's objectives will be achieved, including true and fair financial reporting.

3. We also attest that:

3.1 the separate and consolidated financial statements:

a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
b) are consistent with the underlying accounting books and records;
c) give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
23 March 2015

Chief Executive Officer	Manager responsible for financial reporting
Francesco Caio	Luigi Ferraris

(This certification has been translated from the original which was issued in accordance with Italian legislation)

BOARD OF STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014, pursuant to art. 2429, paragraph 2 of the Italian Civil Code

Dear Shareholders,

During the year ended 31 December 2014, the Board fulfilled its statutory duties in accordance with the Italian Civil Code and Legislative Decree 39/2010, and, pursuant to Presidential Decree 144/2001 "Regulations governing the services provided by BancoPosta", the relevant regulations contained in the Consolidated Banking Law (*Testo Unico Bancario*) and in the Consolidated Law on Finance (*Testo Unico della Finanza*) and the provisions applied to BancoPosta by the relevant authorities.

The oversight activities required by law were also conducted in accordance with the standards for boards of statutory auditors recommended by the Italian accounting profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*). The Board obtained the information necessary in order to carry out its appointed duties by attending all Board of Directors' meetings, holding meetings with the various functions within the Company and, above all, with internal auditing staff and with the Company's management, as well as through ongoing contact with the Manager responsible for financial reporting and with the Independent Auditors, PricewaterhouseCoopers SpA, who are responsible for auditing the separate and consolidated financial statements.

On 25 July 2013 the Board of Directors also assigned Poste Italiane SpA's Board of Statutory Auditors the role of the Company's Supervisory Board, pursuant to Legislative Decree 231/2001. This appointment will expire at the same time as the term of office of the Board of Statutory Auditors itself.

During the year, the Board of Statutory Auditors – aside from specific meetings held to discuss issues relating to oversight for the purposes of the above Legislative Decree 231/2001 – met on 33 occasions, attended 17 Board of Directors' meetings, 1 Ordinary General Meeting and 1 Extraordinary General Meeting.

Based on the activities conducted, the Board of Statutory Auditors reports the following.

Oversight of compliance with correct corporate governance principles, the adequacy of the organisational structure and the administrative and accounting systems adopted by the Company, and as required by Legislative Decree 39/2010.

The Board of Statutory Auditors:

a) verified compliance with the law and the By-laws;

b) periodically obtained information from the Directors on the overall operating performance, the outlook for the Company, and on the most significant transactions having an impact on the results of operations and financial position decided on and carried out by the Company and other Group companies during the year. The meetings were conducted in accordance with the By-laws, the related legislation and regulations governing their conduct and, within the scope of its responsibilities, the Board can provide reasonable assurance that the actions approved comply with the law, the By-laws and correct corporate governance principles and were not manifestly imprudent, risky or in conflict with resolutions approved by General Meeting, or such as to compromise the value of the Company;

c) is not aware of atypical or unusual transactions with Group companies, third parties or other related parties;

d) notes the Company's issue of attestations regarding its binding commitment to provide financial support, in 2015, for the following Group companies: SDA Express Courier SpA and its subsidiaries (with particular reference to its subsidiary, Italia Logistica Srl); Posteshop SpA and Mistral Air Srl;

e) with regard to the new investment in Alitalia, the Board participated in the Board of Directors' meetings of 31 July and 7 August 2014, noting, among other things, the related documentation made available on such occasions and the Shareholder's positive assessment of the transaction. The Board of Statutory Auditors also noted the confirmation of Etihad's acquisition of an interest in the new Alitalia and, with regard to the transaction's compliance with European regulations on state aid, that the European Union had terminated its investigation of Poste Italiane's investment in the airline without finding any evidence of state aid;

f) did not, during the year, receive reports pursuant to art. 2408 of the Italian Civil Code;

g) received information on the Guidelines for the Group's new organisational structure and their subsequent implementation, and was kept up-to-date on preparation of the Business Plan for the period 2015-2019, finally approved by the Board of Directors on 16 December 2014;

h) examined and oversaw, within the scope of its responsibilities, the adequacy of the Company's administrative/accounting system in reliably representing operating activities and the effectiveness of the internal control system, by: (i) gathering information from the heads of the various functions, from the Independent Auditors and from the Manager responsible for financial reporting; (ii) examining the annual report of the Manager responsible for financial reporting; (iii) examining the annual report on the activities of the Internal Auditing function; (iv) examining reports prepared by the Internal Auditing function, and information on the outcome of audits and the implementation of any remedial action identified following such audits; (v) obtaining information and details of inspections and proceedings conducted by Italian government or European Union bodies and authorities, including those of an independent nature, details of which are provided in the section, "Proceedings pending and relations with the authorities", in the notes to the financial statements.

   The above activities did not reveal problems that could be considered indicators of significant inadequacies;

i) the new agreement between Cassa Depositi e Prestiti and Poste Italiane SpA, governing the collection and management of postal savings during the five-year period 2014-2018, was signed on 4 December 2014. Under the agreement, remuneration is to be in the form of fees with a "basic" and a "bonus" component, in addition to mechanisms relating to the management of exceptional situations (regarding overall net deposits) that could lead to investment, by Poste Italiane, BancoPosta RFC or other Group companies, in accordance with the regulations in force, in securities newly issued by Cassa Depositi e Prestiti, including those not guaranteed by the state;

l) the Independent Auditors have today issued their reports on the separate and consolidated financial statements for the year ended 31 December 2014, prepared pursuant to articles 14 and 16 of Legislative Decree 39/2010. The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in accordance with the regulations issued in implementation of art. 9 of Legislative Decree 38/2005. The reports state that Poste Italiane SpA's separate financial statements and the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2014 provide a true and fair view of the financial position, results of operations and cash flows of Poste Italiane SpA and the Poste Italiane Group at and for the year ended at that date.

   In their reports, the Independent Auditors express the opinion that the information in the section of the Directors' Report on Operations on "Corporate governance", as required by paragraph 2b) of art. 123-*bis* of Legislative Decree 58/98, is consistent with the information in the separate and consolidated financial statements for the year ended 31 December 2014.

   The reports in question contain an emphasis of matter regarding the description provided by the Company's Directors in note B.2 "Shareholder transactions" to Poste Italiane SpA's separate financial statements and the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2014, in which they describe the impact of the ruling handed down by the European Union Court on 13 September 2013, as implemented in article 1, paragraph 281 of the 2015 Stability Law (Law 190 of 23 December 2014), overturning the European Commission's Decision C42/2006 of 16 July 2008, which had held that the return on current account deposits received by Poste Italiane SpA from the Ministry of the Economy and Finance (the "MEF") in the three-year period 2005-2007, in accordance with the law, constituted "state aid".

   The Board of Statutory Auditors, within the scope of its responsibilities, concurs with this emphasis of matter;

m) the Independent Auditors have today issued the report prepared pursuant to art. 19, paragraph 3 of Legislative Decree 39/2010, of which the "Audit Plan 2014" and the "Letter of suggestions 2014", previously presented to the Board by the Independent Auditors, are an integral part. The Board has already examined the contents of such documents during its meetings.

   With regard to the role of the internal control system in the financial reporting process, the report provides suggestions on how to rectify a number of failings, above all regarding:

- the need to strengthen the implementation and development of IT systems and support, consolidating their integration and security in keeping with the required segregation of duties and consistency of roles and responsibilities;
- the need to strengthen internal controls relating to related party transactions, money laundering, the transparency of the financial services provided and the fairness of dealings with customers, taking into account the commitments given to the authorities (the Bank of Italy, IVASS and the CONSOB) by Poste Italiane and Poste Vita SpA;
- the need to review and improve the adequacy of the design and effective functionality of the overall system of internal controls – including those relating to information systems – as it relates to the Company's and the Group's financial reporting, constantly monitoring its alignment with management's strategies and market best practices, also in view of Poste Italiane's future privatisation. In this regard, adoption of an appropriate procedure governing the conduct of impairment tests is of particular importance.

The report highlights further aspects with a potential material impact on the Company's future results of operations and financial position, as, moreover, described in the notes to the separate and consolidated financial statements for the year ended 31 December 2014. These regard the fact that: (i) the length of time required for the Company to collect amounts receivable from the Shareholder – amounting to approximately €1.4 billion at the end of 2014 – means that the Company has to manage a large amount of working capital, which clearly has a negative impact on cash flow; (ii) determination of the Universal Service compensation, amounting to approximately €1,087 million at 31 December 2014, payable within the limits of the amount earmarked for this purpose by existing legislation and, in any event, subject to the impact of the checks being carried out by the regulator, AGCom, regarding quantification of the "net avoided cost" incurred. In any case, recognition of the relevant amounts will only occur after finalisation of the Planning Agreement for the five-year period 2015-2019 and the receipt of clearance from the European Commission regarding state aid; (iii) considering the Group's Business Plan for the period 2015-2019, as well as the ongoing crisis in the postal sector and the property market, the Cash Generating Unit represented by the Postal and Business services segment was measured separately to determine a range of fair values, to be compared with the carrying amount of net invested capital and to be also used with regard to the Universal Postal Service obligation. The analysis, which was also backed up by a third-party appraisal, resulted in the conclusion that the related carrying amounts are fair.

The Board, within the scope of its responsibilities, concurs with the views expressed by the Independent Auditors. With particular reference to the "Letter of suggestions 2014", the Board notes that the Independent Auditors have discussed the content of the letter with the Company's management, which, in the same document, expressed its own observations and identified the remedial actions taken and to be taken;

n) the Board notes the document dated 23 March 2014, entitled "Attestation of the separate and consolidated financial statements for the year ended 31 December 2014 pursuant to art.154-*bis* of Legislative Decree 58/1998", in which the Chief Executive Officer and the Manager responsible for financial reporting declare, among other things, that the separate and consolidated financial statements:

   - have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
   - are consistent with the underlying accounting books and records;
   - give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

   The Chief Executive Officer and the Manager responsible for financial reporting also declare that the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed;

o) in relation to legislation designed to combat corruption (Law 190 of 6 November 2012) and promote transparency (Legislative Decree 33 of 14 March 2013), the Board had a number of meetings with the Legal Affairs function with a view to defining the effective scope of application of the legislation to the Company. Latterly, the Board was informed that, with regard to application of the legislation to companies that have issued financial instruments listed on regulated markets and their subsidiaries, a joint committee has been set up with the National Anti-Corruption Authority (ANAC) and the CONSOB. The work of the committee is still in progress.

p) the Board notes the declaration of independence issued by the Independent Auditors, PricewaterhouseCoopers SpA, pursuant to art. 17, paragraph 9 of Legislative Decree 39/2010 and the transparency report prepared by them pursuant to art. 18, paragraph 1 of Legislative Decree 39/2010 and published on their website.

   During 2014, the Company appointed PricewaterhouseCoopers SpA and companies within its network to carry out a number of additional engagements, other than the audit of the accounts. Prior to each appointment, the Board of Statutory Auditors held in-depth discussions with the functions requesting the engagement regarding its nature and scope, expressing its opinion in accordance with the policy adopted by Poste Italiane in order to guarantee the independence of the Independent Auditors.

   Engagements not permitted by art. 17, paragraph 3 of Legislative Decree 39/2010 have not been awarded to PricewaterhouseCoopers SpA.

   Based on the above, the Board does not believe there are any critical issues regarding the independence of the Independent Auditors, PricewaterhouseCoopers SpA;

q) in conducting our oversight of the functionality of and compliance with the Organisational Model pursuant to Legislative Decree 231/2001, and of the activities involved in any revision of the Model as a result of changes in the organisational structure, the Board was given access to and obtained information on the organisational and procedural initiatives implemented pursuant to Legislative Decree 231/2001, as amended, regarding the administrative liability of entities for crimes referred to in the legislation. In relation to this activity, which will be the subject of a specific annual report to be prepared by the Board for the Board of Directors, there are no events or situations requiring mention in this report;

r) held meetings with the boards of statutory auditors and supervisory boards of a number of the principal Group companies; and acquired and examined the reports on the financial statements for the year ended 31 December 2014 issued to date by the boards of statutory auditors of investee companies, which do not reveal any aspects worthy of note. With specific regard to Poste Vita and its inspection by the insurance regulator, IVASS (Istituto per la Vigilanza sulle Assicurazioni), during the year, reference should be made to the section, "Proceedings pending and relations with the authorities", in the notes to the financial statements.

Opinions issued pursuant to the law and internal regulations

s) During the year, the Board of Statutory Auditors was required to issue the following opinions:
   - in accordance with the Company's policy on "The assignment of engagements to Poste Italiane's Independent Auditors", on the appointment of the Independent Auditors to carry out engagements other than the audit of the accounts, as described in point p);
   - in accordance with art. 154-bis of Legislative Decree 58/1998, on the appointment of the Manager responsible for financial reporting;
   - in accordance with art. 2389, paragraph 3 of the Italian Civil Code, on the remuneration of executive Directors and the remuneration payable to the Chairwoman of the Board of Directors and the Chief Executive Officer;
   - in compliance with the provisions of the "Guidelines for the Internal Auditing function" approved by the Board of Directors on 27 June 2012, on the appointment of the Head of Internal Auditing.

Oversight of BancoPosta RFC

On 27 May 2014, the Bank of Italy issued specific supervisory standards for BancoPosta RFC (contained in Part IV "Certain types of intermediary", Section 1 "BancoPosta" of Circular 285 of 17 December 2013), revising and modifying the regulations previously applied to BancoPosta and establishing a deadline for compliance. In 2014, the Board of Statutory Auditors oversaw BancoPosta RFC in accordance with:

- Presidential Decree 144/2001 "Regulations governing the services provided by BancoPosta", the relevant regulations contained in the Consolidated Banking Law (*Testo Unico Bancario*) and in the Consolidated Law on Finance (*Testo Unico della Finanza*) and the implementing regulations for banks, deemed applicable to BancoPosta by the relevant authorities, and in compliance with the By-laws for BancoPosta RFC approved by the General Meeting of shareholders held on 14 April 2011. As required by the above By-laws, the Board of Statutory Auditors examined the specific issues regarding BancoPosta RFC separately, reporting the results in a separate section of the minutes of their meetings;

- the new supervisory standards issued by the Bank of Italy on 27 May 2014, with regard to both compliance with the standards that came immediately into effect and the steps undertaken by Banco Posta in order to comply, within the required deadline, with the standards whose application was deferred. In relation to the latter, and with specific regard to activities overlapping with those being conducted in preparation for the stock market listing, the Company, in agreement with the Shareholder, informed the Bank of Italy, in a letter dated 26 March 2014, that it was necessary to adopt a joint and coordinated approach, even if this meant a delay with respect to the initial deadline set by the supervisory authority; the letter, however, stated that the process of ensuring the compliance of BancoPosta's organisational structure and operations was to be completed by July 2015.

As a result:

t) based on the information received from the Manager responsible for financial reporting, the Independent Auditors, the heads of Internal Auditing and of BancoPosta's internal auditing function, and the Board's examination of the annual report of the Manager responsible for the internal control system relating to financial reporting, it should be noted that:

i) BancoPosta RFC's organisation and accounts have been unbundled with respect to the Company's operations. In preparing the Separate Report for BancoPosta RFC, in compliance with the provisions of Law Decree 225/10, converted into Law 10/11, which established BancoPosta RFC, requiring the accounting separation provided for in articles 2214 *et seq.* of the Italian Civil Code and preparation of a separate report, the Company introduced, from 1 January 2011, a specific sub-system within its own SAP system. The separate report is, where applicable, prepared in application of Bank of Italy Circular 262 of 22 December 2005, as amended.

ii) the level of control over management of BancoPosta RFC's accounts is adequate. In accordance with the new supervisory standards regarding the accounting separation of BancoPosta RFC, the Operating Instructions governing the conduct of relations between BancoPosta and the Company's functions that provide it with services, in effect until 31 December 2014, are being revised in order to ensure that, in the new terms and conditions for 2015, assessment of the costs linked to the activities carried out by Poste Italiane reflect the real contribution to BancoPosta RFC's operations;

u) the Board has been in constant contact with BancoPosta's internal auditing functions via meetings, receiving prompt information on the outcomes of their audit activities, examining the most important areas of concern and monitoring the implementation of any remedial action. It has also examined the annual reports of the control functions, expressing its observations pursuant to CONSOB Resolution 17297 of 2010.

Based on the activities carried out, the Board reports that:

i) in 2014, the system of internal controls was strengthened and there are plans to further develop its overall structure as part of a project, currently being carried out by the Company, designed to revise the Internal Control System and Risk Management. The activities involved in ensuring compliance with the supervisory standards issued by the Bank of Italy on 27 May 2014 are of importance in relation to this process;

ii) work on developing the IT tools used by the Internal Auditing function, which began in 2013, proceeded, partly in response to the Bank of Italy's observations following an inspection in 2012.

In line with the new regulations, introduced by the Bank of Italy, regarding the assignment of responsibility for controls over BancoPosta to Poste Italiane, the Operating Instructions governing relations between BancoPosta's Internal Auditors and Poste Italiane's Internal Auditing are being revised, partly in order to widen the scope of responsibility of BancoPosta's Internal Auditors, particularly in terms of strengthening the guiding role played by Internal Auditing and the conduct of specific controls on the correct functioning of the checks assigned to it;

iii) the Compliance and Risk Management functions have periodically prepared their respective reports on compliance risk and significant risk exposures for BancoPosta, and on the state of progress of the initiatives undertaken as a result of the commitments given to the Bank of Italy, following a general audit and other checks on compliance conducted in 2012, and to the CONSOB, following the inspection of investment services carried out by this authority in 2014.

With regard to the commitments given to the Bank of Italy, in February 2014, the Board of Statutory Auditors drew the Board of Directors' attention to the rescheduling of a number of design initiatives, reporting this fact to the Supervisory Authority. As agreed with the Board, the Company contemporaneously updated the Bank of Italy on the overall progress in carrying out the required work, including the rescheduling of a number of activities.

At 31 December 2014, the action plan is at an advanced stage of implementation, partly thanks to the decision to speed up a number of activities that were identified during the year as being behind schedule. These activities related, above all, to acquisition of the information needed for Adequate Checks on customers and the efficiency of the process of flagging potentially suspect transactions.

With regard to investment services and the Markets in Financial Instruments Directive (MiFID), the initiatives envisaged in the improvement plan, added to in September as a result of the commitments given to the CONSOB at the end of its inspection, are on track.

The Board concurs with the recommendations contained in the respective annual reports of the Compliance and Internal Auditing functions. These point to the need to implement further procedural, IT and training initiatives, in 2015, in order to develop the customer service model in such a way as to adopt a customer-centred approach and to ensure the protection of customers' interests, in full compliance with the relevant regulations.

iv) the Risk Management function has reported on changes in internal regulations designed to ensure that the risk management system is compliant with the supervisory standards applicable to BancoPosta. In this regard, the Company has adopted the following two policies, approved by the Board of Directors in December 2014:

– the Risk Appetite Framework, which defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them; the resulting framework is integrated with the Internal Capital Adequacy Assessment Process (ICAAP), which was again conducted by BancoPosta, based on the situation at 31 December 2013, on a "voluntary" basis, before the entry into force of the binding external regulatory requirement. The resulting ICAAP report was subsequently sent to the Bank of Italy in July, following its approval by the Board of Directors;
– the Group policy setting out the rules to be applied in determining the fair value of financial instruments (securities and derivatives) for the purposes of preparing the financial statements, in order to comply with IFRS requirements and, at the same time, the prudent valuation obligations contained in the new supervisory standards. Application of the rules is reflected in the financial disclosures for the year ended 31 December 2014.

With regard to the assessment and management of BancoPosta's significant risks and the recommendations contained in the Annual Risk Management Report, the Board concurs with the recommendations regarding the need to further strengthen BancoPosta's capital position. This is necessary, above all, in order to maintain its leverage ratio within the targets set out in the Risk Appetite Framework, partly in view of the increase in the value of assets during 2014, primarily in terms of government securities, a trend confirmed in early 2015.

Based on the results of the oversight activities conducted during the year, the Board is not aware of any reason that should prevent approval of Poste Italiane SpA's separate financial statements or the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2014, or of the Board of Directors' proposed resolutions.

10 April 2015

Biagio Mazzotta – Chairman

Nadia Fontana – Auditor

Benedetta Navarra – Auditor

(This certification has been translated from the original which was issued in accordance with Italian legislation)

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

POSTE ITALIANE SPA

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholder of
Poste Italiane SpA

1 We have audited the separate financial statements of Poste Italiane SpA as of 31 December 2014, which comprise the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The directors of Poste Italiane SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 14 April 2014.

3 In our opinion, the separate financial statements of Poste Italiane SpA as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Poste Italiane SpA for the year then ended.

4 Without qualifying our opinion, we wish to emphasise the information provided by the directors in note B.2. "Transactions with shareholders" to the separate financial statements of Poste Italiane SpA at 31 December 2014 which describes, pursuant to the ruling of the European Court of Justice issued on 13 September 2013 and under article 1, para. 281 of the Stability Law 2015 n° 190 of 23 December 2014, the effects of the cancellation of the European Commission's Decision C42/2006 of 16 July 2008. This Decision had held as "state aid" the return on postal current account deposits that Poste Italiane SpA received, pursuant to law, from the Ministry for Economy and Finance in the 2005-2007 three years.

PricewaterhouseCoopers SpA

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5 The directors of Poste Italiane SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance, solely with reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Poste Italiane SpA as of 31 December 2014.

Rome, 10 April 2015

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

POSTE ITALIANE SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No 39 OF 27 JANUARY 2010

To the Shareholder of
Poste Italiane SpA

1 We have audited the consolidated financial statements of Poste Italiane SpA and its subsidiaries ("Poste Italiane Group") as of 31 December 2014, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The directors of Poste Italiane SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 14 April 2014.

3 In our opinion, the consolidated financial statements of the Poste Italiane Group as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Poste Italiane Group for the year then ended.

4 Without qualifying our opinion, we wish to emphasise the information provided by the directors in note B.2. "Transactions with shareholders" to the consolidated financial statements of the Poste Italiane Group at 31 December 2014 which describes, pursuant to the ruling of the European Court of Justice issued on 13 September 2013 and under article 1, para. 281 of the Stability Law 2015 n° 190 of 23 December 2014, the effects of the cancellation of the

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European Commission's Decision C42/2006 of 16 July 2008. This Decision had held as "state aid" the return on postal current account deposits that Poste Italiane SpA received, pursuant to law, from the Ministry for Economy and Finance in the 2005-2007 three years.

5 The directors of Poste Italiane SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance, solely with reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Poste Italiane SpA as of 31 December 2014.

Rome, 10 April 2015

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.