Posteitaliane

Annual Report 2013

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Posteitaliane

Annual Report 2013


POSTE
PER TUTTE LE ALTRE DESTINAZIONI
ROMA E PROVINCIA DI ROMA
PER TUTTE LE ALTRE DESTINAZIONI
SPEDISCI QUI LA TUA CORRISPONDENZA | POST YOUR ITEMS HERE
FESTIVI
Nessun ritiro
SUNDAYS & PUBLIC HOLIDAYS
No collection
LUNEDÌ – VENERDÌ
Ultimo ritiro
ore 10.00
MONDAYS – FRIDAYS
Last collection: 10.00 a.m.
SABATO
Ultimo ritiro
ore 10.00
SATURDAYS
Last collection: 10.00 a.m.
Posteitaliane
LEVATA ORE

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Summary of contents

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Poste Italiane Group			Results of operations	Poste Italiane SpA		
2011	2012	**2013**	for the year ended 31 December (€m)	**2013**	2012	2011
19,646	20,464	**22,822**	Revenue from sales and services and insurance premium revenue of which:	**8,978**	9,206	9,468
5,005	4,533	**4,309**	from Postal and Business services(1)	**3,547**	3,782	4,240
4,906	5,145	**5,068**	from Financial services	**5,326**	5,319	5,141
9,526	10,531	**13,200**	from Insurance services	**n/a**	n/a	n/a
209	255	**245**	from Other services	**105**	105	87
1,641	1,382	**1,400**	Operating profit	**917**	951	1,402
846	1,032	**1,005**	Profit for the year	**708**	722	699
8.4%	6.8%	**6.1%**	ROS(*)	**10.2%**	10.3%	14.8%
1.7%	1.3%	**1.1%**	ROI(**)	**1.5%**	1.7%	2.7%
45.7%	33.5%	**23.9%**	ROE(***)	**19.8%**	29.3%	49.5%

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 revenues from ordinary activities.
(**) ROI (Return on Investment) is the ratio of operating profit to average operating assets. Operating assets equal assets less investment property and non-current assets held for sale.
(***) ROE (Return on Equity) is the ratio of profit before tax to equity for the two comparative periods.

Poste Italiane Group			Financial position	Poste Italiane SpA		
2011	2012	**2013**	at 31 December (€m)	**2013**	2012	2011
2,848	5,651	**7,116**	Equity	**5,430**	4,313	2,002
1,198	(1,959)	**(3,257)**	Net (funds)/debt	**(930)**	189	2,739
4,046	3,692	**3,859**	Net invested capital	**4,500**	4,502	4,741

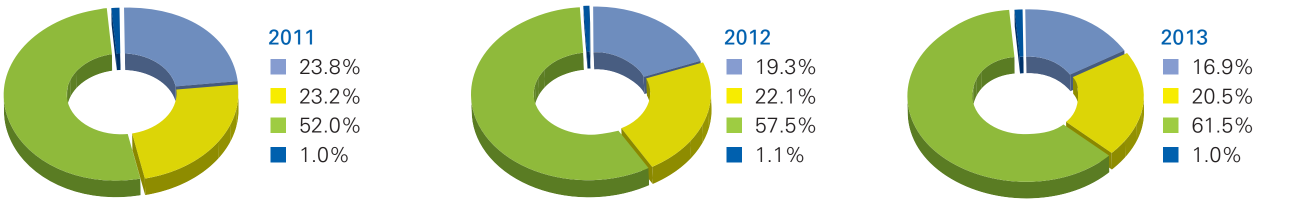
Poste Italiane Group			Other information	Poste Italiane SpA		
2011	2012	**2013**	(€m)	**2013**	2012	2011
419	482	**505**	Investment during the period of which:	**829**	401	822
415	477	**504**	in property, plant and equipment and intangible assets	**419**	401	344
1	5	**1**	in investment property	**0.3**	-	-
3	-	**-**	in financial investments (equity investments)	**410**	0.1	478
146,363	144,628	**143,655**	Average workforce(*)	**139,201**	140,315	142,343

(*) 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 Dec 2011	at 31 Dec 2012	**at 31 Dec 2013**
Operational data (€m)				
Current accounts (average for the year)		38,021	41,452	**43,903**
Post office savings books		92,614	98,778	**106,920**
Interest-bearing postal certificates		208,187	213,270	**211,707**
Other indicators				
Number of outstanding current accounts ('000)		5,575	5,883	**6,023**
Number of post offices		13,945	13,676	**13,310**
Levels of service	delivery within	2011	2012	**2013**
Priority mail	1 day	94.7%	92.9%	**90.4%**

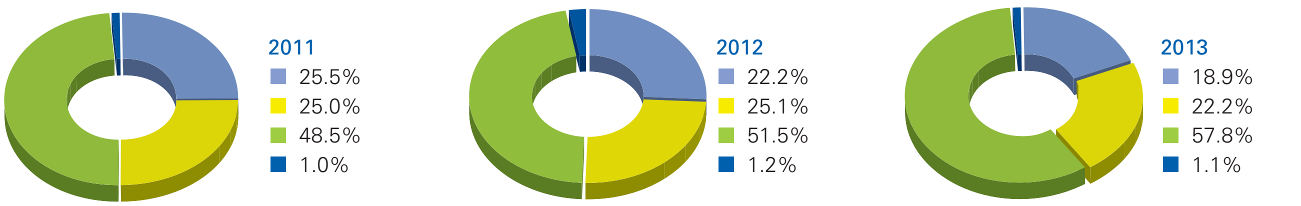
POSTE ITALIANE GROUP

Total Revenue - Contribution by operating segment



				% increase/(decrease)	
(€m)	2011	2012	2013	12 vs. 11	13 vs. 12
Postal and Business services	5,162	4,657	4,452	(9.8)	(4.4)
Financial services	5,033	5,312	5,390	5.5	1.5
Insurance services	11,278	13,833	16,166	22.7	16.9
Other services	220	267	260	21.4	(2.6)
Total	**21,693**	**24,069**	**26,268**	**11.0**	**9.1**

Revenue from sales and services and insurance premium revenue - Contribution by operating segment

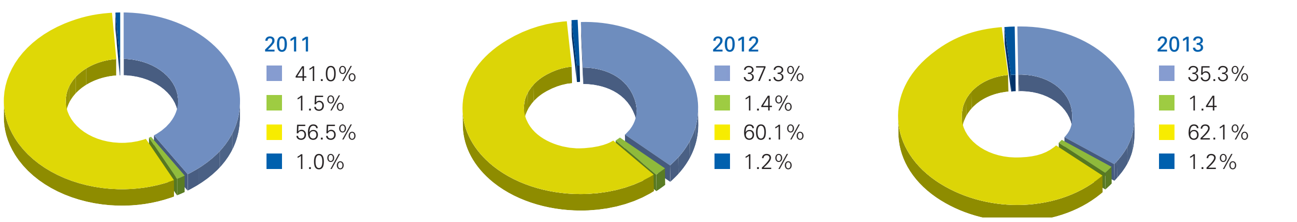


				% increase/(decrease)	
(€m)	2011	2012	2013	12 vs. 11	13 vs. 12
Postal and Business services	5,005	4,533	4,309	(9.4)	(4.9)
Financial services	4,906	5,145	5,068	4.9	(1.5)
Insurance services	9,526	10,531	13,200	10.6	25.3
Other services	209	255	245	22.0	(3.9)
Total	**19,646**	**20,464**	**22,822**	**4.2**	**11.5**

n/s: not significant

POSTE ITALIANE SPA

Market revenue



				% increase/(decrease)	
(€m)	2011	2012	2013	12 vs. 11	13 vs. 12
Mail and Philately	3,725	3,302	3,029	(11.4)	(8.3)
Express Delivery and Parcels	135	120	119	(11.3)	(0.6)
BancoPosta services	5,141	5,319	5,326	3.5	0.1
Other revenues	87	105	105	20.7	n.s.
Total(*)	**9,088**	**8,846**	**8,579**	**(2.7)**	**(3.0)**

To ensure the comparability of amounts for the two years, certain amounts for 2012 have been reclassified.
(*) Market revenue does not include electoral subsidies and Universal Service compensation, totalling €399 million (€360 million in 2012).
n/s: not significant

KEY ASPECTS OF STRATEGY

The Poste Italiane Group has successfully responded to the challenges of the postal services market of recent years. The market, now almost entirely liberalised, has been weakened by adverse economic conditions. Leveraging its strengths in communications, payments and logistics, Poste Italiane has generated significant economic and service advantages. Furthermore, with the intention of creating opportunities for Italy, Poste has promoted innovative service solutions based on fully integrated, flexible and secure platforms and infrastructure, and put its countrywide post office network, highly trained staff and specialist expertise to work in order to contribute to development.
Technology is the common denominator for all processes involved in innovation and reorganisation. The deployment of Information Communication Technology has facilitated synergies among the various businesses (postal, finance and telecommunications) opening the way to the development of a secure, simple and reliable range of products tailored to the requirements of each customer segment.
Poste Italiane's policy is to protect the volumes and revenue generated by traditional services, against a backdrop of gradually contracting demand and ever tougher competition. These objectives can be achieved in two ways:

- the development and introduction of new products and services in line with the evolving needs of the market, so as to be in a position to provide solutions in response to all physical, hybrid and fully digital communications needs;
- raising quality standards with a view to product differentiation, thus meeting the needs of large business clients and the Public Sector through the offer of tailor-made services and improved commercial effectiveness.

Technological infrastructure and applications are furthermore the key to the development of cloud computing applications, a sector that strengthens Poste Italiane's commitment to the development of value added services and the growth of e-commerce.
The development strategy for financial services and particularly investment products entails broadening the range of products offered, whilst consolidating the customer base through the introduction of loyalty programmes for each segment at risk. The Company intends to strengthen its presence in the current account and payment systems market and to consolidate its leadership of the prepaid cards market, through a significant expansion of the product range and the introduction of innovative services in the areas of bank transfers, remittances, standing orders, etc.
In the insurance sector, which still has attractive growth rates, Poste Vita intends to strengthen its market leadership. Its business model entails the development of products tailored to its target segments in combination with integrated and multi-channel operations. New and significant growth opportunities will open up in the non-life segment and in its developing international business.
After a long period of growth, the mobile telephone market is now showing signs of saturation, reduced prices and a collapse of margins that are forcing industrial concentration. PosteMobile's strategies are focused on the maintenance of high quality standards across the vast range of services offered (telephony, financial and postal). PosteMobile is also evolving from an Enhanced Service Provider, with little influence on the development of network services, to a Full MVNO so that it will have almost full control of the value chain.
Internationally, there are 25 projects under way, predominantly with postal services providers in other countries. The most important agreements regard partnerships with Brazilian, Russian and Chinese postal operators for the launch of innovative mobile, hybrid mail and e-commerce services and the development of platforms for payment cards and online transactions in the Euro-Mediterranean region. The latter entails the involvement, among others, of the French, Spanish and Moroccan postal operators.

Poste Italiane has developed four areas on which to focus for international operations:

- the establishment of a company outside Italy to support new global service providers and emerging countries through the supply of advanced technology and products;
- the promotion of Italian products and technology in industrialised countries through an offering of e-commerce, financial services and advanced logistics products;
- cooperation with international organisations in developing countries to augment social and financial inclusion through the transfer of know-how;
- the promotion of projects to support country systems in areas of national interest through the development of projects in countries of strategic importance.

CORPORATE OFFICERS

Board of Directors[1]

Chairman	Giovanni Ialongo
Chief Executive Officer and General Manager[2]	Massimo Sarmi
Directors	Maria Claudia Ioannucci
	Antonio Mondardo
	Alessandro Rivera

Giovanni Ialongo

Board of Statutory Auditors[3] From 25 July 2013

Chairman	Francesco Massicci
Auditors	Nadia Fontana
	Benedetta Navarra
Alternates	Roberto Coffa
	Patrizia Padroni

Massimo Sarmi

(1) The Board of Directors, which was elected by the General Meeting of 21 April 2011, has a term of office of three years, which will expire on approval of the financial statements for 2013. The Board of Directors appointed a Chief Executive Officer at its meeting of 6 May 2011.

(2) The appointment as General Manager was approved by the Board of Directors' meeting of 24 May 2002.

(3) The Board of Statutory Auditors was elected by the General Meeting of 25 July 2013 and has a term of office of three years, which will expire on approval of the financial statements for 2015.

Board of Statutory Auditors Until 25 July 2013

Chairman	Silvana Amadori
Auditors	Ernesto Calaprice
	Francesco Ruscigno
Alternates	Vinca Maria Sant'Elia

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

Adolfo Teobaldo De Girolamo

Independent Auditors[5]

PricewaterhouseCoopers SpA

(4) Appointed by the Council of the Presidency of the Court of Auditors, by Resolution of 6-7 July 2010, with effect from 27 July 2010.
(5) Appointed for nine years by the General Meeting of 14 April 2011, as required by Legislative Decree 39/2010.

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Directors' Report on Operations **at 31 December 2013**

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 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 10 times in 2013.
The *Chairman* exercises the powers provided by the Company By-laws and those assigned to him by the Board of Directors' meeting of 6 May 2011. In compliance with the provisions of the 2008 Finance Act, as amended, the Board of Directors has been given the authority by the General Meeting to grant the Chairman executive powers in respect of the following matters: communication and Government relations, international relations and legal affairs.
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, 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;
- 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 holdings;
- 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, as proposed by the CEO and with the prior approval of the Board of Statutory Auditors;
- the appointment, at the proposal of the CEO, of the Head of BancoPosta.

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 By-laws and with correct

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.

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 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.
New members were appointed to the Board of Statutory Auditors at the General Meeting of 25 July 2013 for a three year term from 2013 to 2015. The Board met 33 times during the year.

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.

Shareholders at the extraordinary General Meeting of 20 November 2013 approved an amendment to the Company By-laws by including, among other things, in Poste Italiane's objects air and other forms of transport of persons and goods inside and outside Italy.

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 2013 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, among other things, 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 reported have been addressed.
Work continued on the risk assessment commenced last year for the purposes of revising the Organisational Model pursuant to Legislative Decree 231/2001. This involved the incorporation of new statutory requirements introduced at the end of 2012 in keeping with changes within the Company.
In particular, the new Organisational Model, approved by the Board of Directors at their meeting of 24 April 2013, takes account of the new regulations introduced by Law 190 of 6 November 2012, having regard to "Measures for the prevention and suppression of corruption and criminal activity in the Public Sector" (the so-called "Anti-corruption law"), and Legislative Decree 109 of 16 July 2012 regarding the use of immigrant workers without residence permits. The changes regard the areas of potential exposure and the related controls. The revised Model also extends the scope of application of the previous Organisational Model to align it with recent changes in the Company's business and operations.

The Supervisory Boards of Group companies were progressively replaced in 2013, in a manner determined by the Parent Company and requiring the retention of *ad hoc* bodies (boards consisting of three members[2] or individual officers in smaller companies). The revision entailed giving priority to membership of qualified independent staff of the Parent or Group companies.
In order to assure the uniform application of the principles of Decree 231 across the Group, companies were provided with assistance to revise their respective Organisational Models, partially through the distribution of notes on various aspects. This resulted in the further consolidation of regular reports from the subsidiaries' Supervisory Boards to Poste Italiane's Supervisory Board, in line with best practice but duly respecting the autonomy of each organisation.

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 and Control function, in analysing risks to the reliability of financial reporting and works closely together with staff involved in managing the different types of risk including the regular reporting of information.
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 Head of the Chief Information Office plays a role of prime importance in this connection, since he is responsible for computerised accounting systems that

2. The Chairman of the Board of Statutory Auditors of each Group company also acted as the Chairman of the Supervisory Board.
3. Poste Vita, SDA Express Courier and Postel, in addition to Banca del Mezzogiorno-MedioCredito Centrale are required by law to appoint a Manager responsible for financial reporting.

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:

- Risk Analysis and Security Intelligence which forms part of the Security and Safety function and which, adopting the international Enterprise Risk Management model, carries out an analysis of operational risks at Company and Group level through a process of Risk Self-Assessment of the various risk factors, in terms of probability of occurrence and potential impact.
- Bancoposta's Risk Management function oversees financial and operational risk at Bancoposta and Poste Italiane's financial risks. In terms of operational risk, the function has adopted measurement models in line with those proposed by the Bank of Italy, which are partly based on the collection and analysis of historical data regarding internal and external operating losses, integrated with an analysis of the Business Environment and with self-assessments carried out by the various departments involved in the processes linked to Bancoposta products. In a financial context, the function oversees liquidity, interest rate, counterparty and concentration risks to which both Bancoposta and the Corporate functions are exposed, despite the investment restrictions in place. The risk of Bancoposta's non-compliance with regulatory requirements falls within the responsibility of Bancoposta's Compliance function.

Third-level controls

- Internal Auditing reports to the Board of Directors. It supports the Manager responsible for financial reporting through continual quality 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 Chairman.
- Bancoposta's Internal Auditors coordinate their activities with Internal Auditing to assure adequate periodic reports to the Manager responsible for financial reporting on the evaluation of the functionality of all internal control systems relating to Bancoposta.

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 Audit, 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 231/2001 and the relevant corporate procedures;
- the Group's Code of Ethics, as supplemented by the Group Suppliers and Partners Code of Conduct, which protect Poste Italiane against litigation and court orders arising from breaches of trust;
- 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 for financial reporting, pursuant to art. 154-*bis* 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*;
- the Manager responsible for financial reporting has developed procedures based on these principles that regulate Poste Italiane's administrative and accounting processes and the related controls described below; he is invited to attend meetings of the Board of Statutory Auditors and is a member of the Supervisory Board's Technical Secretariat, thus assuring a reciprocal and effective exchange of information. He is also a member of BancoPosta's Cross-functional Committee and the Finance Committee, and chairs the Financial Risk Committee.

Risks and control activities

As explained above, the Risk Analysis and Security Intelligence function (which forms part of the Security and Safety function) and BancoPosta's Risk Management function complement each other with respect to support for other functions and Group companies, in as far as operational risk analysis, assessment and management are concerned[5]. The method used is based on management's risk control self-assessment. Bancoposta's Risk Management adapts this method and develops it through the dissemination of specific models and guidelines, in order to ensure compliance

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.

with regulatory requirements for the providers of banking services. Bancoposta also has a specific organisational unit, named Projects, Processes and Procedures, 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, 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 System of Accounting Controls function. The documents are issued by the Manager responsible for financial reporting in conjunction with Human Resources and Organisation 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 statements 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:

- the 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;
- the identification or revision, for each process identified, of administrative-accounting procedures and the controls associated with the financial statements 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 statements 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 verification of the effectiveness and testing of controls by the Internal Auditing function as a part of its annual audit plan, or by the System of Accounting Controls function that reports to the Manager responsible for financial reporting;
- 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 a certificate jointly signed by the company's CEO and with the same wording as the Parent Company's, as required by the CONSOB.

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.

Compliance with ongoing changes in tax rules and accounting standards is provided by specific technical units under Accountancy and Control Function. In addition, the Company also participates in technical round-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[7] and covers infrastructure and transversal processes that are typically under the responsibility of the Chief Information Office[8] (the so-called IT Company Level Controls and IT General Controls) and the 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

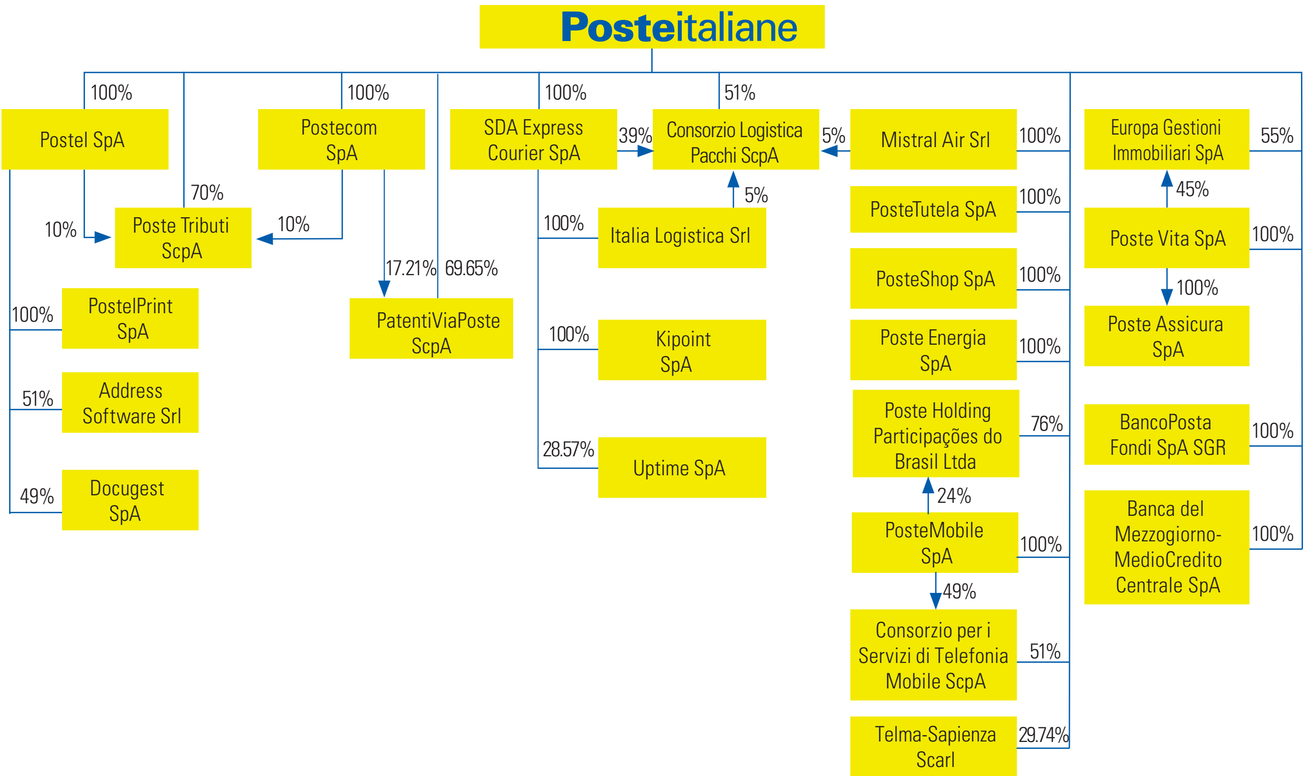
Monitoring is conducted at various levels based on the roles and responsibilities described above. The Company's operating results, financial position and cash flows are also continually monitored through management reports that, as a result of the organisational structure of the Company, are made by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

7. COBIT (Control Objectives for Information and Related Technology) is a set of best practices (framework) for information technology management created by the American ISACA (Information Systems Audit and Control Association) and ITGI (IT Governance Institute) to provide internationally generally accepted measures for the assessment and improvement of a company's IT governance and control.
8. IT systems relating to human resources are under the direct control of Human Resources and Organisation.

2. GROUP ORGANISATIONAL STRUCTURE

2.1 STRUCTURE OF THE POSTE ITALIANE GROUP

The Poste Italiane Group at 31 December 2013: principal companies



2.2 GROUP COMPANIES AND OPERATING SEGMENTS

The Group's objective over the years has been the innovation and diversification of its business and, partially because of the integration of its services, it is now able to offer a wide range of value-added products throughout Italy via its widespread physical and virtual networks. This has permitted the Group to consolidate its role as a global operator.
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).
Its focus on innovation and the use of state-of-the-art technologies has given Poste Italiane dynamism and competitiveness, whilst remaining anchored to its role as a provider of major infrastructure serving the country. Infrastructure that can make a contribution to modernisation of the economy and the Public Sector, above all thanks to its ability to combine different types of expertise to offer, alongside its traditional services, collection, payment and reporting services in tandem with the development of e-Government processes.
Via its post office network and its website, www.poste.it, the Group also provides socially relevant services by providing a gateway to public services of an administrative and financial nature. Through its *Sportello Amico* network, for instance, it is possible to request residence permits, land registry documents, birth, marriage and death certificates, pay for health services, or pay local taxes in addition to applying for Carta Acquisti/Social Cards.

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.

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 eGovernment 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[9]. In addition, consequently, to mass printing and enveloping, which is the Group's core business, it also offers:
- e-Document management;
- e-procurement;
- direct marketing/commercial printing;
- management of door-to-door advertising campaigns.

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, telephony).

9. Business Process Outsourcing means the outsourcing of a corporate process to a supplier who is responsible for managing it, based on targets and predefined conditions and measurement criteria.

An extraordinary General Meeting of Postel's shareholders was held on 18 November 2013 to deliberate and ultimately approve an addition to the company's objects. This has involved the addition of a service model in line with the path pursued in the past few years, designed to expand its end-to-end production chain services, in addition to the planning, implementation, provision and marketing of services and the solutions developed, especially in the integrated document management segment.

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, e-Government projects, particularly for health services and local taxation, e-procurement and e-learning, in addition to advanced IT security services. Postecom was selected to be responsible within the Poste Group for the development of e-commerce, e-Government and Cloud computing solutions, in line with the initiative undertaken to exploit the potential arising from the existence of a competence centre, highly skilled in the development, operation and integration of online services and the web channel.

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 largest Italian couriers, 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, Standard Parcel J+3 and Paccocelere J+3.

Other business services

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.

Having determined the suitability of the investment and verified the industrial and commercial synergies realisable between Alitalia and various Poste Italiane Group companies, including Mistral Air, at its meeting of 18 December 2013 Poste Italiane's Board of Directors approved the subscription of shares worth €75 million issued by Alitalia and not taken up by existing shareholders in the related rights issue. Poste Italiane's resulting interest in the airline amounts to 19.48%.

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 parcels and goods.

Italia Logistica Srl is engaged in integrated and multimodal logistics for third parties.

Europa Gestioni Immobiliari SpA operates in the real estate sector, managing and developing properties transferred from the Parent Company. Due to the nature of their properties, the service is mainly provided to large customers, often Public Sector entities.

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. It is able to supplement its offering with services such as home delivery for catalogue orders, payment by direct debit from a BancoPosta account, hire purchase and promotional mobile prices for people buying a cell phone.

Poste Energia SpA distributes electrical energy from the national grid prevalently to meet the needs of the Parent Company and its subsidiaries.

Poste Tutela SpA is a Group company offering 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 by Poste Italiane SpA (a 69.65% holding), Postecom SpA (17.21%), Dedem Automatica Srl (8.78%) and Muhlbauer ID Services GmbH (4.36%).

The consortium is a not-for-profit entity, and serves as joint vehicle for the shareholders to manage and execute the contract with the Ministry of Infrastructure and Transport 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.

In 2013 Poste Italiane was appointed agent of a yet to be formed consortium to take part in the tender process announced by the Ministry of Infrastructure and Transport (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 nine years and entails the provision of high levels of service.
A consortium was thus established on 11 February 2014 and named PosteMotori. This was subsequently transformed on 19 February 2014 into a joint-stock consortium called **PosteMotori ScpA**, with its headquarters in Rome and initial capital of €120 thousand. It is 58.12% owned by Poste Italiane SpA and 22.63% by Postecom SpA.
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 163/2006 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.

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 **Banca del 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 PosteVita 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). The company applied to IVASS (the insurance regulator) in December to approve the disposal of its non-life business to its subsidiary, Poste Assicura, which is licensed to sell non-life policies providing personal injury and medical insurance, General Liability Insurance, Fire and Other Damage insurance, Care insurance, and Legal Protection and Financial Loss insurance. This was done in order to rationalise and optimise operations and realise synergies inside the insurance group.

OTHER SERVICES

The Other services segment includes **PosteMobile SpA** and **Consorzio per i Servizi di Telefonia Mobile ScpA** operations.

PosteMobile SpA is an MVNO (Mobile Virtual Network Operator). It operates in the telecommunications sector as a mobile Enhanced Service Provider. 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 SpA's organisation breaks down into the following business and corporate functions:

Business functions

- **Postal services**
- **BancoPosta**
- **Marketing and Management of Logistics Services**
- **Private Customer**
- **Large Account and Public Sector**

Corporate functions

- **Purchasing**
- **Public affairs**
- **Legal Affairs**
- **Corporate Affairs**
- **Accountancy and Control**
- **External Relations**
- **Internal Auditing**
- **Finance**
- **Real Estate**
- **Strategic Planning**
- **Human Resources and Organisation**
- **Chief Information Office**
- **Security & Safety**

The BancoPosta, Marketing and Management of Logistics Services and Postal Services functions are responsible for developing the related products and services and managing a part of the operations involved in their supply.
Postal Services is also responsible for planning and managing the logistics process (mail and parcels) and for the supply of integrated services.

The Private Customer and Large Account and Public Sector functions are the 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.

There was a reorganisation in 2013 to consolidate Poste Italiane's evolution into a global operator with the capacity of responding more effectively to market requirements and challenges.

Significant events affecting the organisational structure entailed the following:
- in keeping with the aim of strengthening the organisational capability in order to increase commercial effectiveness, the establishment, within the Large Account and Public Sector function, of a Sales Support and Tender Coordination function and of a new Area Office for the Sicily region. Work also continued on the development of processes and the revision of procedures in support of commercial operations, particularly with respect to tender management and customer care;
- the organisational restructuring of Private Customer commercial and customer care functions, with the aim of achieving a greater focus on the processes involved in the development of offerings and after-sales support and boosting commercial effectiveness. In particular, a Sales Development and Support function has been established, which in addition to providing support for marketing, also coordinates the Private Customer and Business commercial functions more focused on sales;
- creation of the Service Integration Project, with the aim of exploiting the Group's assets and expertise by identifying and managing integrated services and intercompany and customer development initiatives, extending the use of innovative technologies. This included incorporating e-Government activities into the scope, and the organisation and management of demonstrations and promotions of the use of the technologies at Poste Italiane's Technology Campus;
- the separation, within the Chief Information Office, of IT management and control functions from IT service provision, in order to improve specialisation and thus increase the related levels of service and achieve an efficient use of technical resources.

Other projects in 2013 regarded:
- the pursuit of Postal Service organisational efficiency targets in line with the reorganisation of operations through the rationalisation and incorporation of the staff functions of regional units;
- the establishment of the new Express Delivery and Parcels business model intended to strengthen the Group's value proposition in its main market;
- the continuation of BancoPosta's project to optimise processes and benefit from existing synergies, particularly in connection with the reporting of money-laundering and complaints management, partly in response to the guidelines issued by the Supervisory Authority;
- the creation of an Internal Communications function within Human Resources and Organisation.

Finally, in order to simplify and speed up decision-making processes in response to current changes in the postal services market,the Postal Services Marketing function was closed and its product development activities merged into the Postal Services function in February 2014, with the exception of philately product development, which was transferred to the Private Customer function.

2.3.1 PRIVATE CUSTOMER

The Private Customer function manages the commercial front end and pre- and post-sales support for the Private Customer, SME and the Local Government segments for which it is responsible.

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, from 2013 into central, reporting, standard, basic and PosteImpresa offices (the latter split into top, medium and basic categories).

In continuation of the rationalisation, the number of post offices was reduced in 2013 from 13,676 at 31 December 2012 (including 263 PosteImpresa offices) to 13,310 at 31 December 2013 (including 257 PosteImpresa offices).

	At 31 Dec 2012		At 31 Dec 2013	
	Number	Workforce	Number	Workforce
Private Customer Area Offices	9	2,035	9	2,398
Branch offices	132	4,720	132	4,394
Post offices	13,676	59,582	13,310	59,876

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 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, in line with organisational changes, implementation of the projects launched in the previous year continued, alongside the development of new initiatives.
These included:
- continued evolution of the Customer Service model with a view to improving product/service/customer specialisation and merging into one organisational unit all customer care activities. In particular, certain Centralised Service Teams and Contact Centres were refocused on business customers. The money-laundering prevention activities previously conducted at Branch Offices have also been centralised within 9 Centralised Service Teams;
- expansion of the network of Specialist Commercial Financial Promoters within the scope of Area Office Private Commercial activities to include the promotion and placement of certain investment products and services. The objective is to strengthen the market presence and fully exploit growth potential in the retail segment.

PRIVATE CUSTOMERS

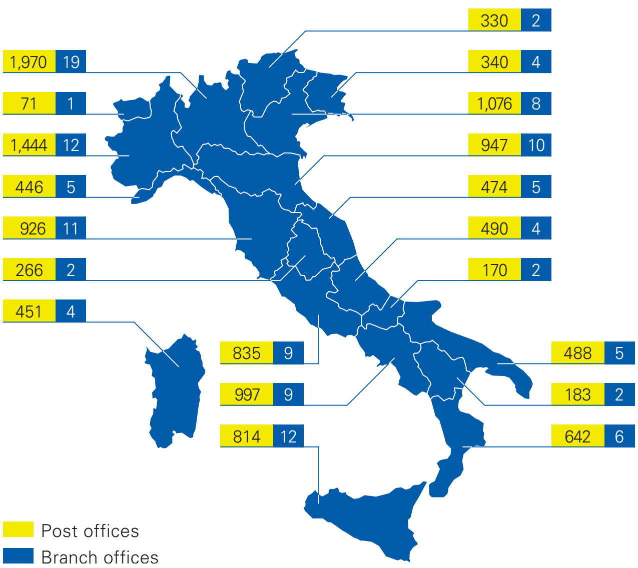
In order to improve service quality and develop the network's commercial potential, by differentiating service provision from activities offering higher added value, special "Financial, Loan and Insurance Products" Consulting Rooms[10] have been created for private customers within post offices. At 31 December 2013 there were 5,057 of these rooms, including 289 in the process of being set up.

10. Previously called Financial and Loan Products Areas they were renamed Financial, Loan and Insurance Products Consulting Rooms in 2013.

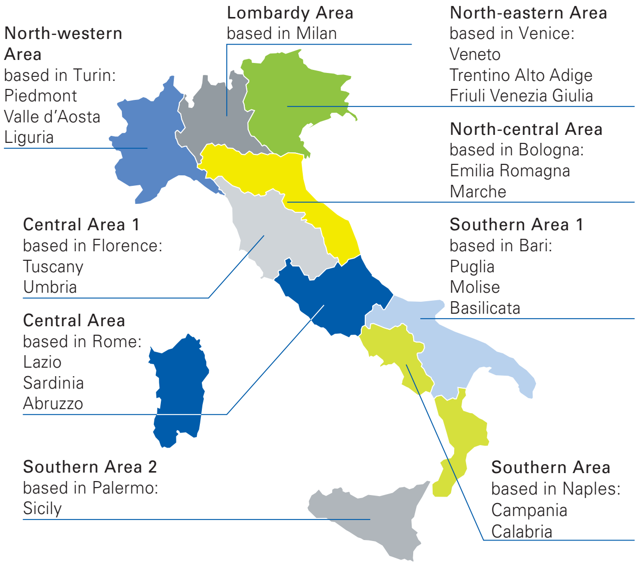
SMALL AND MEDIUM ENTERPRISES AND LOCAL GOVERNMENT

The commercial model for the Business segment, forming part of the SME and some Local Government activities segment managed by the Private Customer function, evolved in 2013. As explained above, there were certain closures and efficiency measures in addition to a re-segmentation of the PosteImpresa network. In addition to counter staff and PosteImpresa consultants on flexible shifts, PosteImpresa offices also offer 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.
The geographical structure of the Business Commercial function was reorganised in 2013, with the transfer to Area Offices of Business and Local Government sales personnel and staff with responsibility for marketing the Banca del Mezzogiorno-MedioCredito Centrale offering. This will permit synergies with staff functions dedicated to pre-sales and commercial planning.

Geographical distribution of Post offices and Branch offices



Geographical distribution of Areas



2.3.2 LARGE ACCOUNT AND PUBLIC SECTOR

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

The business model consists of seven Area Offices, each responsible for all phases of business (pre-sales, sales and post-sales processes and commercial planning) with large accounts and the relevant Local Government customers. These offices operate alongside two sales units for Central Government customers, on the one hand, and commercial partnership agreements, on the other.

Central functions also exist to support and coordinate pre- and after-sales activities and liaise with the related marketing functions.

2.3.3 POSTAL SERVICES

Postal Services is responsible for planning and managing the integrated logistics chain (mail and parcels), overseeing the entire process of collection, transport, sorting and delivery, as well as the conceptualisation, design and management of the range of products, services, domestic postal services and integrated services.

The logistics network 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 Dec 2012		At 31 Dec 2013	
	Number	Workforce	Number	Workforce
Area Logistics Offices(*)	9	3,228	9	2,759
Sorting Centres	21	10,271	19	9,479
Priority Centres	15	1,242	4	503
Logistics support	-	-	2	274
Delivery Offices(**)	2,788	47,318	2,480	46,944

All workforce data is shown in full-time equivalent terms.
(*) The geographical distribution of Offices at 31 December 2013 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 36,888 postmen and women and delivery supervisors (38,769 at 31 December 2012).

The principal initiatives implemented during the year regard the process of reorganising Postal services in accordance with the National Agreement of 28 February 2013 and subsequent agreements at regional level.
In particular, with regard to Delivery services:
- delivery zones were rationalised around the country as part of gradual implementation of the plan completed in October, which was accompanied by a number of changes to the structure of distribution centres;
- new Quality and Production units were established within Area Delivery Management offices[11], accompanied by the introduction of new roles created to improve oversight of quality standards and the processes involved in the provision of services;
- coordination of the 23 Codification Services Centres, previously under the control of the Operating functions at Area Logistics Offices, has been transferred to the relevant Distribution Centres.

In parallel to the changes to the logistics network, and in response to the need to upgrade plant and machinery, a review of the structure of the logistics hubs was started in May with a view to optimising processes. This is expected to contin-

11. Area Delivery Management offices provide intermediate coordination at provincial/multi-provincial level, with responsibility, through the delivery offices in their respective areas, for the management of delivery processes and operations. They report to Area Logistics Offices.

ue over the next few years. The work currently under way also entails the differentiation of Sorting Centres into Multi-product[12] and Specialist[13].

Other initiatives during the year included:
- continuing implementation of the Parcel Logistics Integration Plan, entailing the progressive insourcing of activities in order to transfer responsibility for the delivery of parcels weighing up to 3 kg, under the Poste Italiane brand, to postmen and women at national level. This process applies to parcels posted and delivered within the same area (served by a single Sorting Centre) and in 29 provinces for shipments outside the respective areas;
- a new business customer support model was introduced to provide a level of effectiveness and efficiency suitable for that type of customer, partially through the identification of a dedicated Quality unit for Large Accounts for second level assistance.

Distribution of Area Logistics Offices

Distribution of Postal Network Centres

	SC	PC	PC
Piedmont - Valle d'Aosta - Liguria	2	1	-
Lombardy	3	-	-
Triveneto	3	1	-
Emilia Romagna - Marche	2	-	-
Tuscany - Umbria	1	2	-
Lazio(*) - Abruzzo - Molise - Sardinia	3	-	2
Campania - Calabria	2	-	-
Puglia - Basilicata	1	-	-
Sicily	2	-	-
Total	**19**	**4**	**2**

(*) Within the scope of the Area Logistics in Central Italy, the Affile (former Romanina) and Portonaccio centres, previously included among the Priority Centres, have been renamed Logistics Support.

2.3.4 OTHER BUSINESS FUNCTIONS

The other Business functions are centralised departments which, partly by coordinating the operations of a number of Group companies, create, design and manage the Group's offerings, with the related responsibilities assigned as follows:
- Marketing and Management of Logistics Services for domestic and international logistics products and services, in addition to international mail products and services;
- Bancoposta for financial products/services.

12. The Multi-product Sorting Centres will process service level J+1 products, registered mail and all Large Account products with a service level above J+1 (business mail).
13. The Specialist Sorting Centres will process registered mail J+1 products in addition to providing specialist and value added services.

In addition, BancoPosta carries out a number of operating processes relating to its area of business at sites located around the country. The structure of these activities was reorganised in 2013. The various sites consist of:

- three Unified Service Automation Centres, where the bills paid at post offices are sent and 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 and Organisation, Purchasing, Internal Auditing, Chief Information Office, Real Estate and Security & Safety) also have their own local units responsible for the correct operational implementation 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 point established over the years were: Counters, Consulting Rooms for financial/loan/insurance products, the PosteImpresa network, PosteMobile Corners (areas dedicated to the sale and promotion of PosteMobile products and services, equipped with a showcase and a product display counter, and staffed by dedicated personnel), PosteShop outlets consisting of "Shops in Shops" set up in post offices, the Contact Centre, "electronic postmen and women", the website www.poste.it and just recently the most 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 purchase of PosteShop catalogue products, 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 Large Account and Public Sector function is responsible for developing business with Large Account, Central Government and some Local Government customers.

2.4.1 RETAIL/SME

In order to improve the efficiency of the retail network, the role of Financial Sales Promotion Specialist, introduced in 2012 to take on responsibility for promoting and selling certain investment and savings products and services, was expanded (86 staff at 31 December 2013).
There were 5,057 Consultancy Rooms at 31 December 2013, 289 of which were in the process of being set up (4,750 at 31 December 2012, 194 of which in the process of being set up).
IT equipment has also been upgraded, involving the replacement of computers, printers, software, franking machines, etc., to improve back-office and front-end counter service.
Extension of the national ATM network (amounting to approximately 7,000 machines at 31 December 2013) continued, and new separate Postamat lanes were introduced at some post offices. At 31 December 2013, 2,719 post offices have Postamat tills (2,684 at 31 December 2012), with a total of 3,725 counters reserved for BancoPosta current account holders (3,692 as of 31 December 2012).
Continuing Poste Italiane's development of its telephony business, the number of PosteMobile corners inside post offices has been increased (169 in operation at 31 December 2013, compared with 61 at 31 December 2012).
The PosteImpresa channel (257 offices in operation with a sales force of approximately 1,500) saw reorganisation of the Business Commercial function, aimed at boosting commercial effectiveness and sales network management, with initiatives focusing on the PosteImpresa Offices channel and the Business sales force channel, respectively.
In particular, the new Business Channel Support function is responsible for the optimisation of pre-sales commercial procedures, managing personalised business solutions based on customer needs and defining the criteria for composing and allocating customer portfolios. To this end:
- the reallocation of Business customer portfolios continued, drawing on information from CRM (Customer Relationship Management), regarding which ongoing development initiatives that enable, among other things, the simplification of commercial negotiations and improved monitoring of sales activities, went ahead;

- action plans regarding specific products and customer segments were launched;
- the “Business Selection” offering, including bundled products and services for similar customer targets (bundles aimed at sole traders, non-profit companies, professionals, retail outlets and property managers), was extended;
- a portion of the sales force was focused on marketing specific products for the Local Government sector - treasury services, tax collection and integrated services.

2.4.2 BUSINESS AND PUBLIC SECTOR

Activities launched in 2012 aimed at creating a new business model continued. The main initiatives, which entail a closer relationship with customers and getting a clearer picture of their needs, regarded:
- creation of the Sales Support and Tender Coordination function which, as mentioned in the section on “Organisation”, is aimed at further strengthening the organisational capability, covering technical and economic feasibility and the development of commercial offerings;
- 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;
- the creation of a new Area Office for the Sicily region;
- reorganisation of customer portfolios, broken down into Premium, TOP, Large, Local Government, Central Government, and Business Partner customers;
- the strengthening of specialist service and market expertise, in order to more rapidly exploit the full potential of such a structured and diverse range of products and services as that offered by the Poste Italiane Group.

2.4.3 THE CONTACT CENTRE AND THE INTERNET

The activities of the Poste Risponde Contact Centre, which plays a key role in customer relationship management and in supporting business functions and Group companies, continued. Approximately 17.9 million calls were handled during the year, 92% of which were for the captive market.
In addition to retail and business customer relationship management regarding financial, postal and internet matters, further services provided in support of internal Group activities regard: 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 products; PosteMobile; PosteShop customer care.
The most important activities during the year included the opening of two new sites (Pisa and Pescara) in addition to the enhancement of existing sites through:
- specialist contact centres for businesses, professionals and government which, authorised to identify customers using their VAT registration numbers, can provide dedicated assistance (Genoa and Florence);
- the creation of two help desks for the Poste e-commerce offering, aimed at merchants and end users;
- the creation of a customer care service for the new PosteCloud offering and, consequently, the assumption of responsibility for activating contracts for the offering.

The web distribution channel, run by Postecom via the www.poste.it website and other dedicated web portals, provides access to online services for around 9.8 million retail and business customers, ranking as a direct end-to-end sales channel, and support provider for other channels.
In addition to ordinary activities including the revision of the editorial and multimedia content of websites (www.poste.it, www.posteecommerce.it, www.poste-impresa.it and www.postepay.it), Postecom took steps in 2013 to improve the Group’s online offering. Two new websites were developed: www.poste-cloud.it, dedicated to the Poste Group’s new Cloud services and, as mentioned above, www.postesalute.it, for the provision of health care-related services.

The primary changes to the existing sites were:

- at poste.it, the development of browsing by channel (online, mobile and network, including home delivery), the introduction of a new area for Postal Savings online and the restyling of the public services section;
- at posteimpresa.it, the introduction of a new *FrancobolloFacile* service for the sale of stamps to tobacconists;
- at posteecommerce.it, the addition of an integrated introduction explaining the offering for each target market;
- at postepay.it, the addition of new tabs for specific products such as *PostepayEnelmia*, and the improvement of the online application for *MyPostePay*.

3. FINANCIAL REVIEW

3.1. MACROECONOMIC AND MARKET ENVIRONMENT

World economic growth in 2013, as with international trade, continued at modest rates (3.0%), a little below 2012. Growth rates, however, differed from country to country. In the United States, where there has been a general slowdown since 2012, there was an improvement in the second half in addition to a recovery that benefitted from the support provided by the Federal Reserve's monetary policy. In Japan, too, there was an improvement in the economy in line with the 2012 upswing brought about by the Government stimulus.
These positive signs, however, were countered by weakening emerging economies, including Russia and India, and certain Asia/Pacific developed economies. Chinese economic growth in 2013 was also below the forecasts at the beginning of the year and more or less in line with the preceding year.
The euro zone, which has been slowing since the end of 2011, returned to moderate export-led growth following a bad first half. Domestic demand is showing signs of strengthening but employment is finding it difficult to reverse its negative trend, with unemployment remaining at historically high rates.
An important factor has been the fall in many commodity prices, including oil, so that inflation in industrialised countries remained low.
A worldwide economic recovery is, however, expected for 2014 and the volume of international trade should also revive, thus benefiting exporting countries. Eurozone growth will be modest: the European Central Bank has, however, re-confirmed its commitment to continue supporting the recovery and assured markets of its ongoing monitoring.
The decline in investment and consumption in Italy (household income has fallen for the sixth year in a row) was the main reason for the 1.8% contraction in GDP in 2013. The recession has been marked by sharply decelerating prices and a credit policy that has penalised investment. The first timid signs of recovery emerged in the fourth quarter and this could be the harbinger of modest growth in 2014.
The economy in the coming months, however, will still be characterised by ongoing serious and long-lasting difficulties in the labour market, tight credit policies and restricted consumer and business lending.
Furthermore, notwithstanding Italy's ability to bring down the deficit from its high 2013 levels, the ratio of government debt to GDP is above 130% and the particularly burdensome pay down plan means that it will not be able to fund the kind of investment that would have a significant effect on GDP growth.

THE BUSINESS MAIL SERVICES MARKET

Ongoing economic uncertainty continues to weigh on business mail. Poste Italiane has been contending with a market that, since 2008, has seen the deepest contraction of volumes in Europe (over 31%). The collapse is particularly evident in the business mail segment as a result of the fall in advertising.
Adverse economic conditions and the development of information technology, causing the replacement of traditional mail by e-mail, are both factors that have adversely affected Poste Italiane's market, which has always been marked by low demand for mail products.

There has been a parallel sharpening of competition by international postal services primarily in urban areas and densely populated areas, which are the most profitable segments of the Italian market.
Against this backdrop, in the two 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

Pressure on financial markets, as well as on Italian government paper, reduced in 2013. In particular, after a beginning of the year marked by growing political uncertainty in Italy and difficult negations for the bailout of the Cypriot financial and banking system, the debt crisis became less severe, above all reflecting the extremely expansionist monetary policies adopted by the Bank of Japan and the Federal Reserve. This took the form of quantitative easing, resulting in carry trades and the capital inflows into Europe.
A contributing factor to falling yields on peripheral European government paper in 2013 (the 10 year BTP-Bund yield differential at the end of December was in the vicinity of 200 basis points, whereas at the beginning of 2013 it was around 300 basis points), was the European Central Bank's accommodating monetary policy which, in addition to reducing refinancing rates (or REFI) twice during the year, bringing them to their lowest level since the introduction of the euro (0.25%), also reassured investors as a result of the statement that it would use all instruments at its disposal to assure monetary stability. The construction of a banking union also continued in 2013 and in November the ECB initiated a comprehensive assessment of the balance sheets of banks that it is to directly supervise.
As explained in the section on the "Macroeconomic and market environment", there was a general but limited expansion of the world economy in 2013, which was slightly below 2012 levels. Real economic growth rates were highest in the United States and Japan, but more moderate in Europe due to tight fiscal policies.
Industrial production in Italy was adversely affected by tight bank credit policies, which particularly sharpened in 2013 due to the dependency of companies on the banking sector, which is well above the levels in other European countries.
Performance of the most important stock markets in 2013 was positive (the S&P 500 was up 27.2% year on year, the Dow Jones Eurostoxx was up 12.9% year on year) as a result of expansionist monetary policies by the principal central banks, which injected liquidity, and the first signs of international economic revival.
Foreign exchange markets in 2013 were marked by a strengthening of the euro (EUR/USD average exchange rate of 1.37 in December) due primarily to the significant inflows of capital into the euro zone.

THE ITALIAN BANKING SYSTEM

Aggregate deposits by resident savers in 2013 were up (deposits were up by approximately €32 billion year on year or 2.8%)[14].

The European banking system has partially repaid the funds it received under the LTRO - Long Term Refinancing Operations auctions by the ECB in the last quarter of 2011 and the first quarter of 2012, thus avoiding a sharpening of the banking crisis. A total of €446 billion was repaid in December or 44% of the money raised through the two operations.
Funding costs (deposits, bonds and repurchase agreements) tended to drop during the year. The average cost of customer deposits for December 2013 was 1.88% against 1.96% for June 2013 and 2.08% for December 2012.
There was a 3.88% fall in bank lending year on year to €1,853 billion in December 2013, as a result of weak demand and increasingly risky exposures. In detail, lending to consumers and non-finance companies in December 2013 was approximately €1,416 billion, down 3.97% year on year.

14. BancoPosta analysis, based on Bank of Italy data.

In December 2013 non-performing loans amounted to approximately €155.9 billion (up €31 billion on December 2012), representing a year-on-year rise of approximately 25%. As a percentage of total loans, in December 2013 non-performing loans stood at 8.1% (6.3% in December 2012), with the figure rising to 13.3% for corporate loans (compared with 9.7% one year earlier) and falling to 6.5% for households (5.6% in December 2012).

THE INSURANCE MARKET

Despite the adverse economic conditions in Italy described above, the **life insurance market** was sound in 2013. The first analyses that have now become available suggest that the aggregate turnover of all companies operating in Italy (Italian EU and non-EU) was approximately €86 billion, up 22.3% on 2012. This consisted of €74 billion in inflows (up 31%) and approximately €12 billion in premiums written (up 2%) in 2013, relating however to policies issued in prior years. The total number of all policies issued in 2013 was approximately 3.3 million (up 9% on 2012).
The structure of the inflows was 36% Branch I, accounting for around two-thirds of all new premiums written. Branch III premiums growth was below the average at 22%, thus slightly reducing its weight to a third of the total. A little less than 80% of the Branch's inflow (approximately €19.5 billion in absolute terms) related to classical unit-linked policies placed primarily by banks. Protected unit-linked inflows were €4.2 billion in absolute terms, whereas index-linked inflows were negligible since the policies are practically no longer distributed in Italy.
Pure risk policies, representing 17% of the total, continue to decrease and there were signs of a slowdown in the supplementary pension segment where, for the first time in many years, the number of new individual pension plans was down almost two percentage points to €356 thousand in terms of absolute value. Branch IV inflows of a little more than €30 thousand for the year (less than 1% of the total) were absolutely irrelevant, being insurance policies for long-term care and serious illness.
Turning to the various forms issued, single premium policies are a little less than 50% of new business and approximately 95% of aggregate premiums written, with a significant increase in the average premium from €26 thousand in 2012 to €42 thousand for 2013. The other 50% of new business was for annual premium policies which, although of lower amounts, mean that the companies will have future premium inflows.
The overall conclusion of an analysis of these figures suggests that although premium performance appears solid, as does the mix of annual and single premium business, it hides the fact that there has been a slowdown in the classical insurance business in the form of risk protection, life business and long-term care.
The life market appears to have found an overall equilibrium and growth even though it has not yet demonstrated that it is able to play the role of third pillar, as foreseen by the new welfare system entailing a seamless integration of public and private pensions, which has become an objective for Italy.

The situation of **non-life business** is complicated and strongly influenced by the economic crisis. 2013 in fact ended with a significant downturn in volumes. Initial data suggests that all Italian and non-EU companies' inflows are a little less than €34 billion, down a nominal 4% on 2012.
Based on information to hand, non-motor premiums written in 2013 should reach €18.3 billion, up 0.5% on 2012. Inflows of Italian and non-EU companies on the other hand, were €15.1 billion, which was slightly down (0.6%), whereas premiums written by EU companies were up (€3.2 billion or 5.7% on 2012). There has been substantially no movement in the most important aggregates relating to non-life cover (accident and medical) and property insurance (fire and other damage). There was a significant decline in business affected by the economy (transportation and security deposits), whereas third-party liability insurance was up, partially because of the insurance requirements introduced for numerous professions, as were legal protection and care insurance policies, thus continuing the long-term upwards trend of these businesses due to the across-the-board increase in this type of insurance cover.

THE MOBILE VIRTUAL NETWORK OPERATOR (MVNO) MARKET

Against the general backdrop of economic weakness, the dynamism of the telephony market in Italy evidenced stable growth in 2013: AGCom (the Italian Communications Authority) data released for the September 2013 Quarterly Telecommunica-

tions Survey showed that the aggregate market had reached 92.3 million lines, being a decrease of 0.2% on the same period of the preceding year.
The MVNO (Mobile Virtual Network Operator) segment, in which the Poste Group is present through PosteMobile SpA, accounted for approximately 5.2 million lines at 30 September 2013 (up 19.2% on September 2012), being a market share of 5.4%. This sound market performance is also evidenced by MNP (Mobile Number Portability) data showing that all MVNOs experienced net additions of 8.6% and 6.5% in net losses. Within this environment, PosteMobile continues to lead the MVNO market in Italy, having obtained a 52.4% share of all MVNO lines in Italy by the end of September 2013. This is further proof of the validity of the business model adopted since the company's commercial launch.

3.2 OPERATING RESULTS

This section provides a summary of the operating results, financial position and cash flow of the Poste Italiane Group and the Parent Company, Poste Italiane SpA, in 2013.

STATEMENT OF PROFIT OR LOSS

(€m)

Poste Italiane Group					Poste Italiane SpA			
Increase/(Decrease)		Year ended 31 Dec			Year ended 31 Dec		Increase/(Decrease)	
%	Amount	2012	2013		2013	2012	Amount	%
(3.1)	(311)	9,933	9,622	Revenue from sales and services	8,978	9,206	(228)	(2.5)
25.3	2,669	10,531	13,200	Insurance premium revenue	n/a	n/a	n/a	n/a
(5.3)	(182)	3,463	3,281	Other income from financial and insurance activities	308	156	152	97.4
16.2	23	142	165	Other operating income	147	123	24	19.5
9.1	**2,199**	**24,069**	**26,268**	**Total revenue**	**9,433**	**9,485**	**(52)**	**(0.5)**
(3.3)	(94)	2,828	2,734	Cost of goods and services	2,025	2,121	(96)	(4.5)
17.5	2,278	12,988	15,266	Net change in technical provisions for insurance business and other claims expenses	n/a	n/a	n/a	n/a
(54.9)	(90)	164	74	Other expenses from financial and insurance activities	7	1	6	n/s
1.9	113	5,895	6,008	Personnel expenses	5,755	5,658	97	1.7
(9.2)	(60)	649	589	Depreciation, amortisation and impairments	501	526	(25)	(4.8)
(8.1)	5	(62)	(57)	Capitalised costs and expenses	(5)	(8)	3	(37.5)
12.9	29	225	254	Other operating costs	233	236	(3)	(1.3)
9.6	**2,181**	**22,687**	**24,868**	**Total costs**	**8,516**	**8,534**	**(18)**	**(0.2)**
1.3	**18**	**1,382**	**1,400**	**Operating Profit/(Loss)**	**917**	**951**	**(34)**	**(3.6)**
(16.9)	(20)	118	98	Finance costs	92	115	(23)	(20.0)
42.1	67	159	226	Finance income	139	90	49	n/s
n/s	-	-	-	Profit/(Loss) on investments accounted for using the equity method	n/a	n/a	n/a	n/a
7.4	**105**	**1,423**	**1,528**	**Profit/(Loss) before tax**	**964**	**926**	**38**	**4.1**
11.7	78	668	746	Income tax expense	474	474	-	n/s
(19.8)	55	(278)	(223)	Income tax for previous years following change in legislation	(218)	(270)	52	(19.3)
(2.6)	**(27)**	**1,032**	**1,005**	**Profit for the year[(*)]**	**708**	**722**	**(14)**	**(1.9)**

n/a: not applicable
n/s: not significant
[(*)] Profit is entirely attributable to owners of the Parent, and no portion is attributable to non-controlling interests.

The positive operating performance recorded by the Poste Italiane Group and its Parent Company in 2013 should be viewed within the context of the difficult economic situation and the crisis in the postal sector, the latter having had a major impact on the results. In particular, the Group's operating profit of €1,400 million marks, an increase of 1.3% on 2012 (€1,382 million for 2012); whilst the Parent Company reports a reduction of 3.6% (€917 million for 2013, compared with €951 million for the previous year). The latter result reflects a 6.2% decline in revenue from postal services, reflecting the limited impact of variable costs on the operating performance and the fact that the Company's cost structure is made up primarily of personnel expenses, which have a significant impact on margins. In fact, Postal and Business serv-

ices contributed €300 million to consolidated operating profit, a sharp reduction compared with the €416 million of the previous year.
Despite achieving growth in a number of key areas, such as the average amount of current account deposits by private customers, Financial services (with revenue up €78 million and consolidated operating profit up €98 million) only partially made up for the contraction reported by the postal business. This segment's results reflect the negative impact of the reduced rate of return paid by the Ministry of the Economy and Finance on Public Sector deposits.
Insurance services continue to be the driving force, with Poste Vita recording an excellent performance (€13.2 billion in premium revenue, up 25%), consolidating the growth seen over the last three years.

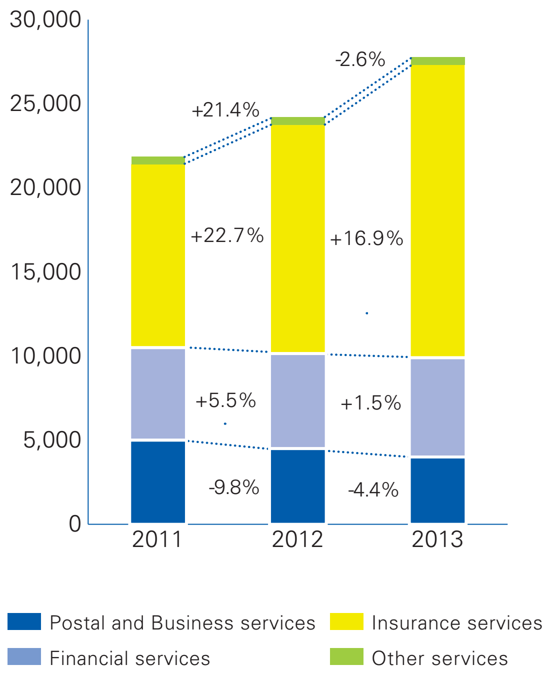
OPERATING RESULTS OF THE POSTE ITALIANE GROUP

Revenue by operating segment(*)

	Total revenue for the year ended 31 December		Increase/(Decrease)	
(€m)	2012	2013	Amount	%
Postal and Business services	4,657	4,452	(205)	(4.4)
Financial services	5,312	5,390	78	1.5
Insurance services	13,833	16,166	2,333	16.9
Other services	267	260	(7)	(2.6)
Total Poste Italiane Group	**24,069**	**26,268**	**2,199**	**9.1**

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

Group - Total revenue (€m)



(€m)	Revenues from sales and services 2012	2013	% inc./(dec.)	Insurance premium revenue 2012	2013	% inc./(dec.)	Other income from financial and insurance activities 2012	2013	% inc./(dec.)	Other operating income 2012	2013	% inc./(dec.)
Postal and Business services	4,533	4,309	(4.9)	-	-	-	-	-	-	124	143	15.3
Financial services	5,145	5,068	(1.5)	-	-	-	162	315	94.4	5	7	-
Insurance services	-	-	-	10,531	13,200	25.3	3,301	2,966	(10.1)	1		-
Other services	255	245	(3.9)	-	-	-	-	-	-	12	15	25.0
Total Poste Italiane Group	**9,933**	**9,622**	**(3.1)**	**10,531**	**13,200**	**25.3**	**3,463**	**3,281**	**(5.3)**	**142**	**165**	**16.2**

Postal and Business services	Total revenue for the year ended 31 December				Increase/(Decrease)	
(€m)	2012		2013		Amount	%
Poste Italiane SpA(*)	4,006		3,793			
of which: intercompany revenue	*59*		*59*			
Poste Italiane SpA - external revenue		3,947		3,734	(213)	(5.4)
SDA Express Courier SpA	452		477			
of which: intercompany revenue	*111*		*105*			
SDA Express Courier SpA - external revenue		341		372	31	9.1
Postel Group	376		354			
of which: intercompany revenue	*180*		*186*			
Postel Group - external revenue		196		168	(28)	(14.3)
Italia Logistica Srl(**)	52		67			
of which: intercompany revenue	*18*		*29*			
Italia Logistica Srl - external revenue		34		38	4	11.8
Mistral Air Srl	109		103			
of which: intercompany revenue	*37*		*36*			
Mistral Air Srl - external revenue		72		67	(5)	(6.9)
PosteShop SpA	33		29			
of which: intercompany revenue	-		*1*			
PosteShop SpA - external revenue		*33*		*28*	*(5)*	*(15.2)*
Postecom SpA	113		117			
of which: intercompany revenue	*103*		*99*			
Postecom SpA - external revenue		10		18	8	80.0
Other companies	370		355			
of which: intercompany revenue	*346*		*328*			
Other companies - external revenue		24		27	3	12.5
Total external revenue		**4,657**		**4,452**	**(205)**	**(4.4)**

(*) 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.
(**) This company, originally consolidated using proportionate consolidation, is consolidated on a line-by-line basis from 1 October 2012 following the acquisition of full control by SDA Express Courier SpA.

As noted above, the Group's total revenue of €26,268 million (€24,069 million in 2012) benefitted from the positive contribution from Poste Vita's premium revenue.
Taking a closer look, total revenue from Postal and Business services amounts to €4,452 million (€4,657 million in 2012) and continues to suffer from the crisis in traditional forms of communication and the general reduction in demand for products and services, exacerbated by tough price competition.
Total revenue from Financial services is up 1.5% from the €5,312 million of 2012 to €5,390 million in 2013. This is partly due to other income from financial activities (up €153 million on 2012), following the gain realised on the sale of financial assets attributable to BancoPosta's ring-fenced capital ("BancoPosta RFC").
Despite the significant increase in the volume of current account deposits by private customers (average deposits are up from €41.5 billion at the end of 2012 to €43.9 billion at 31 December 2013), revenue from sales and services in the Financial services segment is, however, down €77 million. As noted above, this is due to a reduction in the rate of return on the mandatory deposit of the current account deposits of Public Sector customers with the Ministry of the Economy and Finance.
Insurance services registered an excellent performance, with total revenue up from the €13.8 billion of 2012 to €16.2 billion in 2013 (an increase of 16.9%). This was achieved in spite of the high degree of ongoing uncertainty over the future of the economy and given the reduced savings capacity of consumers. Overall, the PosteVita group reports insurance premium revenue of €13.2 billion (€10.5 billion in 2012, marking an increase of 25%), enabling it to maintain a high market share in terms of total premiums, which has risen from the 14.6% of 2012 to an estimated 15.5% at the end of 2013.

COST ANALYSIS

Costs for the year ended 31 December (€m)	2012	2013	% inc./(dec.)
Cost of goods and services	2,828	2,734	(3.3)
Net change in technical provisions for insurance business and other claims expenses	12,988	15,266	17.5
Other expenses from financial and insurance activities	164	74	(54.9)
Personnel expenses	5,895	6,008	1.9
Depreciation, amortisation and impairments	649	589	(9.2)
Capitalised costs and expenses	(62)	(57)	(8.1)
Other operating costs	225	254	12.9
Total costs	**22,687**	**24,868**	**9.6**

An analysis of costs shows an increase of 9.6%, essentially due to an increase in technical provisions for the insurance business (up €2,278 million on the previous year), which is closely linked to the above growth in premium revenue recorded by the subsidiary, Poste Vita.
The cost of goods and services is down 3.3% from €2,828 million in 2012 to €2,734 million in 2013), reflecting steps taken to reduce expenses and a reduction in interest due to private customers and to major financial institutions acting as counterparties in repurchase agreements.
Other expenses from financial and insurance activities of €74 million are down 54.9% on 2012. The reduction is linked to a restructuring of the portfolio of securities for separately managed accounts carried out by the subsidiary, Poste Vita, in 2012.

Personnel expenses			Increase/(Decrease)	
for the year ended 31 December (€m)	2012	2013	Amount	%
Salaries, social security contributions and sundry expenses(*)	5,608	5,906	298	5.3
Redundancy payments	208	53	(155)	(74.5)
Net provisions for disputes	(29)	(45)	(16)	55.2
Provisions for restructuring charges	190	114	(76)	(40.0)
Total	**5,977**	**6,028**	**51**	**0.9**
Income from fixed-term and temporary contract agreements	(82)	(20)	62	(75.6)
Total personnel expenses	**5,895**	**6,008**	**113**	**1.9**

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

Total personnel expenses are up 1.9% from €5,895 million in 2012 to €6,008 million in 2013. Despite a reduction in the average workforce during the period (over 1,100 less staff employed on average in 2013, compared with the previous year), the increase is essentially due to an increase in ordinary personnel expenses comprising salaries, contributions and sundry expenses. Moreover ordinary personnel expenses depend on the terms of employment contracts agreed with the trade unions in April 2011 and reflect payments relating to renewal of the national collective contract, and payment of a bonus, under a specific union agreement signed in June 2013, based on the achievement of certain operating results by the Group.
Personnel expenses also reflect a reduction in redundancy payments (down from €208 million in 2012 to €53 million in 2013), following the use of provisions for restructuring charges of €190 million. These provisions were made in 2012 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 2014. New provisions of €114 million were made in 2013.
Personnel expenses also benefit from net releases of €45 million from provisions for disputes (net releases of €29 million in 2012), reflecting updated estimates of the related liabilities deriving from the Parent Company's use of fixed-term employment contracts. These costs reflect the established effect of application of the so-called *Collegato lavoro* legislation (Law 183 of 4 November 2010), which has introduced a cap on compensation payable on claims brought by workers on fixed-term contracts, who have been re-employed on permanent contracts by court order. The amounts reflect the overall favourable level of claims actually paid during the year.
Finally, personnel expenses also reflect income of €20 million deriving from fixed-term contract agreements; this income reflects the agreements of May 2012 and 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.

The above movements in revenue and costs have resulted in operating profit of €1,400 million (€1,382 million for 2012), as shown in the following table.

Operating profit by operating segment			Increase/(Decrease)	
for the year ended 31 December (€m)	2012	2013	Amount	%
Postal and Business services	416	300	(116)	(27.9)
Financial services	565	663	98	17.3
Insurance services	371	411	40	10.8
Other services	28	25	(3)	(10.7)
Elimination(*)	2	1	(1.0)	(50.0)
Total Poste Italiane Group	**1,382**	**1,400**	**18**	**1.3**

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

After net finance income of €128 million, up €41 million on the net finance income of 2012, profit before tax amounts to €1,528 million (€1,423 million for 2012).

Income tax expense is up from €668 million for 2012 to €746 million for 2013. After deducting the tax income of €223 million deriving from recognition of an IRES refund for previous years, relating to the years from 2004 to 2006, in accordance with Law Decree 201 of 6 December 2011, net income tax expense amounts to €523 million.
Law Decree 201 of 6 December 2011 permits companies to deduct IRAP paid on personnel expenses in full from the IRES tax base from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedure established by the tax authorities in the ruling issued on 17 December 2012. As a result, tax income of €278 million was recognised in the financial statements for 2012. This amount was cautiously assessed solely on the basis of amounts refundable for the years from 2007 to 2011, using a prudent basis of calculation and taking into account the absence of consistent interpretations of the new legislation. In 2013 the earlier ruling of the Constitutional Court and the circular issued by the tax authorities (no. 8/E of 3 April) were used as the basis for a number of tax tribunal rulings on the merits, which, in acknowledging the principle of retroactivity of the legislation established by the Supreme Court, extended the right to a refund of the overpaid tax to include the years prior to 2007 and recognised the right to the receipt of interest accrued on the related amount. The Group thus took steps to challenge the tax authorities' refusal to respond to its earlier claims for a refund, with the resulting recognition of tax income of €223 million in 2013. This amount reflects accrued amounts for the tax years from 2004 to 2006 (for which claims for a refund were previously filed with the tax authorities in paper form, thus interrupting application of the statute of limitations), and interest accrued on the entire tax credit through to 31 December 2013.
This extraordinary item has resulted in an effective tax rate of 34.2% (27.43% in 2012), consisting of the sum of the IRES tax rate (31%) and the IRAP tax rate (17.8%), after the extraordinary impact of recognition of €223 million in refundable tax for previous years (a reduction of 14.6%).

Profit for the year thus amounts to €1,005 million (€1,032 million for 2012).

OPERATING RESULTS OF POSTE ITALIANE SPA

Revenue from sales and sevices for the year ended 31 December (€m)	2012	2013	Increase/(Decrease) Amount	%
Mail and Philately	3,302	3,029	(273)	(8.3)
Express Delivery and Parcels	120	119	(1)	(0.6)
Total market revenue from Postal services(*)	**3,422**	**3,148**	**(274)**	**(8.0)**
BancoPosta services	**5,319**	**5,326**	**7**	**0.1**
Other revenue	**105**	**105**	**-**	**n.s.**
Market revenue	**8,846**	**8,579**	**(267)**	**(3.0)**
Universal Service Obligation (USO) compensation(*)	**350**	**343**	**(7)**	**(2.0)**
Electoral subsidies(*)	**10**	**56**	**46**	**n.s.**
Total revenue from sales and services	**9,206**	**8,978**	**(228)**	**(2.5)**
Other income from financial activities	156	308	152	97.4
Other operating income	123	147	24	19.5
Total revenue attributable to Poste Italiane SpA	**9,485**	**9,433**	**(52)**	**(0.5)**
(*) Market revenue from Postal Services	3,422	3,148		
USO compensation	350	343		
Electoral subsidies(**)	10	56		
Total Postal services	**3,782**	**3,547**	**(235)**	**(6.2)**

To ensure the comparability of amounts for the two years, certain amounts for 2012 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 €8,978 million, down 2.5% on the figure for 2012 (revenue of €9,206 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, reflecting a decline in demand for traditional mail services, above all from major customers who, in addition to making ever growing use of electronic forms of communication, are tending to reduce their dependence on business post in order to cut their operating costs.

As a result, market revenue from postal services is down 8.0% on 2012 (a reduction of €274 million), reflecting a 9.0% reduction in volumes (410 million fewer items sent in 2013, compared with 2012). This is primarily due to the negative performances registered by Unrecorded Mail (volumes down 8.1% and revenue down 5.5%), Recorded Mail (volumes down 8.9% and revenue down 5.6%) and Direct Marketing (volumes down 12.3% and revenue down 16.8% 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 Public Sector entities and citizens.

Determination of the compensation partially covering the cost of the Universal Service for 2013 has been based on the same subsidy cap used in the *Contratto di programma* (Planning Agreement) for 2009-2011. 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[15]. The model developed by Poste Italiane SpA is currently being assessed by *AGCom* (the Italian communications authority) as part of investigations, after completion of these processes it will be possible to confirm the cost calculated by the Company.

15. 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 cost/profit.

The amount of compensation, estimated to be €343 million, is in any event significantly lower than both the cost calculated using the new method being assessed and the cost calculated on the basis of the established method used prior to 2012.
Market revenue from BancoPosta services has risen to €5,326 million (€5,319 million in 2012). In greater detail, the most important contribution to this result came from asset and fund management (the distribution of government securities, equities, bonds, life assurance policies, mutual investment funds and commissions on safe custody accounts), which recorded an increase in revenue from the €310 million of 2012 to €384 million in 2013. Current accounts also performed well (revenue of €2,924 million in 2012, compared with €2,931 million in 2013), despite the 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 fell from 3.90% at 31 December 2012 to 2.61% at 31 December 2013).

Other income from financial activities is up from €156 million in 2012 to €308 million in 2013, reflecting the gain realised on the sale of financial assets attributable to BancoPosta RFC, thereby adjusting the maturity profile of investments in line with the review of the parameters used to model the maturities of current account deposits.
Finally, other operating income contributed €147 million (€123 million in the previous year) to total revenue (€9,433 million in 2013, compared with €9,485 million in 2012).

COST ANALYSIS

Cost analysis for the year ended 31 December (€m)	2012	2013	% inc./(dec.)
Cost of goods and services	2,121	2,025	(4.5)
Other expenses from financial activities	1	7	n/s
Personnel expenses	5,658	5,755	1.7
Depreciation, amortisation and impairments	526	501	(4.8)
Capitalised costs and expenses	(8)	(5)	(37.5)
Other operating costs	236	233	(1.3)
Total costs	**8,534**	**8,516**	**(0.2)**

n/s: not significant

In keeping with the cost efficiency drive of recent years, costs and other charges are down on the previous year (a decline of €18 million on 2012). An analysis reveals that the cost of goods and services is down €96 million (-4.5%), primarily due to a reduction in service costs (down €34 million on 2012), thanks to close attention to costs, and reduced interest expense (down €53 million on 2012) paid to BancoPosta's private customers and to major financial institutions acting as counterparties in repurchase agreements.

Personnel expenses break down as follows.

Personnel expenses for the year ended 31 December (€m)	2012	2013	Increase/(Decrease) Amount	%
Salaries, social security contributions and sundry expenses(*)	5,373	5,655	282	5.2
Redundancy payments	208	53	(155)	(74.5)
Net provisions for disputes	(31)	(47)	(16)	51.6
Provisions for restructuring charges	190	114	(76)	(40.0)
Total	**5,740**	**5,775**	**35**	**0.6**
Income from fixed-term and temporary contract agreements	(82)	(20)	62	(75.6)
Total personnel expenses	**5,658**	**5,755**	**97**	**1.7**

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

As noted in the review of the Group's results, the increase in personnel expenses (up 1.7% on 2012) is essentially due to an increase in ordinary personnel expenses, linked to salaries, contributions and sundry expenses, which are up from €5,373 million in 2012 to €5,655 million in 2013. In addition to the effect of the terms of employment contracts agreed with the trade unions in April 2011, this increase reflects payments relating to renewal of the national collective contract, and payment of a bonus, under a specific union agreement signed in June 2013, based on the achievement of certain operating results by the Group.
The cost of redundancy payments amounts to €53 million (€208 million in 2012) and is down following use of all the provisions for restructuring charges of €190 million made in 2012. These provisions were made to cover the estimated costs to be incurred by Poste Italiane for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2014. New provisions of €114 million were made in 2013.
Personnel expenses also benefit from net releases of €47 million from provisions for disputes (net releases of €31 million in 2012), 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.
Personnel expenses also reflect income of €20 million deriving from fixed-term contract agreements reached following the agreements of May 2012 and March 2013 between Poste Italiane and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. These agreements, which are similar to previous agreements regarding the same issue, have enabled the Company to enter into individual agreements with staff, giving stable employment to approximately 1,300 people who were working within the Company by virtue of a provisional court order. Under the individual agreements, each signatory elected not to enforce the legal and financial aspects of the court order requiring their re-employment and approximately 1,105 employees agreed to return in variable instalments the remuneration paid for periods not worked and which the Company had already charged to profit or loss in previous years.
Again with regard to fixed-term contracts, the Company recruited 8,149 people on fixed-term contracts in 2013 (8,485 in 2012), equal to 7,946 FTEs (8,275 FTEs in 2012), of which 4,579 correspond to 4,472 FTEs pursuant to art. 2, paragraph 1-*bis* of Legislative Decree 368/2001[16]. The permanent workforce at 1 January 2013[17] amounted to 144,087 (144,420 at 1 January 2012), equal to 138,877 FTEs (139,635 FTEs at 1 January 2012).

16. Art. 2, paragraph 1-*bis* of Legislative Decree 368/2001 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.
17. The workforce at 1 January of each year is identical to the workforce at 31 December of the previous year.

Net finance income amounts to €47 million (€25 million in net finance costs in 2012), benefitting, among other things, from interest on IRES refunds.

Income tax expense amounts to €474 million (in line with the figure for 2012). After deducting the tax income of €218 million deriving from recognition of an IRES refund for previous years, relating to the years from 2004 to 2006, in accordance with Law Decree 201 of 6 December 2011, net income tax expense amounts to €256 million.
Law Decree 201 of 6 December 2011 permits companies to deduct IRAP paid on personnel expenses in full from the IRES tax base from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedure established by the tax authorities in the ruling issued on 17 December 2012. As a result, tax income of €270 million was recognised in the financial statements for 2012. This amount was cautiously assessed solely on the basis of amounts refundable for the years from 2007 to 2011, using a prudent basis of calculation and taking into account the absence of consistent interpretations of the new legislation. In 2013 the earlier ruling of the Constitutional Court and the circular issued by the tax authorities (no. 8/E of 3 April) were used as the basis for a number of tax tribunal rulings on the merits, which, in acknowledging the principle of retroactivity of the legislation established by the Supreme Court, extended the right to a refund of the overpaid tax to include the years prior to 2007 and recognised the right to the receipt of interest accrued on the related amount. Poste Italiane thus took steps to challenge the tax authorities' refusal to respond to its earlier claims for a refund, with the resulting recognition of tax income of €218 million in 2013. This amount reflects accrued amounts for the tax years from 2004 to 2006 (for which claims for a refund were previously filed with the tax authorities in paper form, thus interrupting application of the statute of limitations), and interest accrued on the entire tax credit through to 31 December 2013. This amount, totalling €58 million, has been accounted for in finance income and the related receivable recognised in other assets, based on the nature of the item.
This extraordinary item has resulted in an effective tax rate of 26.54% (22.03% in 2012), consisting of the sum of the IRES tax rate (24.89%) and the IRAP tax rate (24.24%), after the extraordinary impact of recognition of €218 million in refundable tax for previous years (a reduction of 22.55%).

Profit for the year thus amounts to €708 million (€722 million for 2012).

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 €3,859 million (€3,692 million at 31 December 2012), 100% financed by equity.

at 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Non-current assets		3,320	3,145	(175)
Working capital		1,812	2,054	242
Employee termination benefits and pension plans	[B7]	(1,440)	(1,340)	100
Net invested capital		**3,692**	**3,859**	**167**

(*) Notes to the consolidated financial statements.

Non-current assets break down as follows at 31 December 2013 and 31 December 2012:

at 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Property, plant and equipment	[A1]	2,650	2,490	(160)
Investment property	[A2]	136	69	(67)
Intangible assets	[A3]	524	577	53
Investments accounted for using the equity method	[A4]	10	9	(1)
Non-current assets		**3,320**	**3,145**	**(175)**

(*) Notes to the consolidated financial statements.

Compared with the end of 2012, non-current assets are down €175.1 million as a result of reductions of €680.4 million and additions totalling €505.3 million.

Reductions regard depreciation, amortisation and impairments, totalling €588.6 million, of which €391.6 million regards *property, plant and equipment*, €189.1 million *intangible assets* and €7.9 million depreciation and impairments of *investment property*, after reversals of impairments.

Further reductions in non-current assets regard:

- reclassifications, totalling €85.5 million, of property owned by EGI SpA to *inventories*, consisting of properties no longer in use and therefore due to be sold in the coming years. €58.4 million of this amount regards *investment property* and €27.1 million *property, plant and equipment*;
- retirements and sales of €5.2 million, including €3.1 million regarding *property, plant and equipment*, €1.2 million *investment property*, €0.8 million *intangible assets* and €0.1 million *Non-current assets held for sale*;
- the net impact of €1.1 million resulting from line-by-line consolidation of Docutel Communication Services SpA, previously consolidated using the equity method.

Additions regard:

- capital expenditure of €261 million, consisting of the purchase of *property, plant and equipment*, primarily by the Parent Company and largely attributable to the purchase of new hardware for the Group's post offices and headquarters premises, and to the modernisation and renovation of the post office network and other sites;

- the investment of €243.4 million in *intangible assets*, regarding the development of software both within the Group, for use in the IT platform, and by the Parent Company, for use by BancoPosta;
- purchases of *investment property*, totalling €0.7 million;
- adjustments to investment accounted for using the equity method, totalling €0.2 million.

Working capital breaks down as follows at 31 December 2013 and 31 December 2012:

At 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Inventories	[A6]	59	145	86
Trade receivables and other current receivables and assets	[A7] [A8]	4,561	4,575	14
Trade payables and other current liabilities	[B9] [B10]	(3,334)	(3,390)	(56)
Current and deferred tax assets and liabilities	[C13]	952	785	(167)
Provisions for risks and charges	[B6]	(1,412)	(1,166)	246
Trade receivables and other non-current assets and liabilities	[A7] [A8] [B10]	986	1,105	119
Working capital		**1,812**	**2,054**	**242**

(*) Notes to the consolidated financial statements.

Working capital of €2,054 million is up €242 million compared with the end of 2012. The increase is essentially due to the following:
- increases in *inventories*, totalling €85.5 million, following reclassifications of properties owned by EGI SpA from *investment property* (€58.4 million) and from *property, plant and equipment* (€27.1 million) following the above-mentioned change of use;
- a reduction in net *current and deferred tax assets and liabilities*, totalling €167 million, primarily due to positive movements in fair value reserve (as a result of changes in the value of the securities investments of BancoPosta RFC) resulting in a reduction in deferred tax assets;
- a reduction in *provisions for risks and charges*, totalling €246 million, representing the balance of new provisions, totalling €404.9 million, and uses/releases of €650.9 million, primarily relating to liabilities linked to personnel expenses and BancoPosta's operations;
- a €119 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 2008-2013) of withholding and substitute tax on capital gains on life insurance policies.

At 31 December 2013 **Equity** totals €7,116.3 million (€5,650.5 million at 31 December 2012) and breaks down as follows:
- Share capital €1,306.1 million
- Reserves €1,951.9 million
- Retained earnings €3,858.3 million.

Compared with 31 December 2012, equity has increased by €1,465.8 million due to the following changes.

Additions:
- a €544.6 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, Poste Vita SpA and Poste Assicura SpA;
- movements in the cash flow hedge reserves, amounting to €107 million net of tax;
- recognition in equity of net actuarial gains and losses on provisions for employee termination benefits, totalling €59.3 million net of tax;
- profit for the year of €1,004.9 million.

Reductions of €250 million regard the Parent Company's payment of dividends to the shareholder.

In addition, since the sentence handed down by the European Court of Justice became final on 13 September 2013, the shareholder is required to return the amounts transferred to the MEF by the Parent Company in implementation of the European Commission's Decision C42/2006 of 16 July 2008, which had held that the return on current account deposits received from the MEF, under the agreement of 23 February 2006, constituted state aid.
Given that the sums established in the Decision of 2008 had been paid out of the Company's equity reserves (retained earnings), "ideally" formed using the related return on the amounts deposited by Poste Italiane SpA with the MEF, the recovery of the same amounts was charged to the same component of equity at 31 December 2013. Given that, at 31 December 2013, the related sums have not yet been recovered from the shareholder, the related receivable of the same amount has been deducted from retained earnings, thereby postponing recognition in equity until actual receipt of the sums concerned.
Current tax liabilities of €34.4 million and deferred tax assets of the same amount have been recognised on the interest component of the amount due from the shareholder, totalling €125.2 million. The related effects have been appropriately recognised in retained earnings.

LIQUIDITY

For the year ended 31 December (€m)	2012	2013
Adjusted cash and cash equivalents at beginning of year	**1,660**	**441**
Cash flow from/(for) operating activities	(74)	448
- cash flow generated by operating activities before movements in working capital	(1,249)	(1,586)
- movement in working capital	(502)	(54)
- financial assets and liabilities attributable to financial activities	602	316
of which BancoPosta deposits not yet invested in financial assets	*(1,168)*	*906*
- financial assets and liabilities attributable to insurance activities	1,756	1,472
- cash attributable to technical provisions for insurance business	(681)	300
Cash flow from/(for) investing activities	(395)	(720)
Cash flow from/(for) financing activities	(400)	640
Cash flow from/(for) shareholder transactions	(350)	(250)
Adjusted movement in cash	**(1,219)**	**118**
Adjusted cash and cash equivalents at end of year [1]	**441**	**559**
Amounts that cannot be drawn on due to court rulings	(26)	(14)
Current account overdrafts	(14)	(5)
Unrestricted net cash and cash equivalents at end of year	**401**	**540**

[1] Cash and cash equivalents does not include the restricted component of cash deposited in the buffer account held at the MEF (€1,168 million at 31 December 2012 and €262 million at 31 December 2013) or the component of cash attributable to technical provisions for the insurance business (€924 million at 31 December 2012 and €624 million at 31 December 2013).

Reconciliation with statement of cash flows in financial statements		
Adjusted cash and cash equivalents	441	559
Restricted cash	1,168	262
Cash attributable to technical provisions for insurance business	924	624
Net cash and cash equivalents at end of year	**2,533**	**1,445**

Cash generated by operating activities during the year amounts to €448 million, whilst cash generated by financing activities amounts to €640 million. This latter figure is the result of two bond issues completed by the Parent Company. The bonds, totalling €800 million and having a nominal value of €100,000 each, are listed on the Luxembourg Stock Exchange and form part of the Company's Euro Medium Term Notes (EMTN) programme, restricted to institutional investors. A portion of the funds raised was used to repay previous borrowings.
Total cash generated was, among other things, used to fund capital expenditure of €505 million, investment in financial assets of €156 million and to subscribe new shares issued by Alitalia, totalling €75 million.
Cash and cash equivalents at the end of the year, after the distribution of €250 million in dividends to the shareholder, amounts to €559 million (€441 million at the end of 2012).

Net funds at 31 December 2013, as shown in the following table, amount to €3,257 million (net funds amounting to €1,959 million at the end of 2012). The improvement reflects, among other things, the positive movement in the fair value reserve for the financial assets held by BancoPosta and the subsidiary, Poste Vita SpA.

At 31 December (€m)	Note(*)	2012	2013)
Financial liabilities	[B8]	**51,159**	**51,770**
Technical provisions for insurance business	[B5]	**56,771**	**68,005**
Financial assets	[A5]	**(104,148)**	**(118,467)**
Technical provisions for claims attributable to reinsurers	[A8]	**(28)**	**(40)**
Net financial liabilities/(assets)		**3,754**	**1,268**
Cash and deposits attributable to BancoPosta	[A9]	**(3,180)**	**(3,080)**
Cash and cash equivalents	[A10]	**(2,533)**	**(1,445)**
of which:			
- Adjusted cash and cash equivalents		*(441)*	*(559)*
- Restricted cash		*(1,168)*	*(262)*
- Cash attributable to technical provisions for insurance business		*(924)*	*(624)*
Net debt/(funds)		**(1,959)**	**(3,257)**

(*) Notes to the consolidated financial statements.

FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SPA

Poste Italiane SpA's **Net invested capital** amounts to €4,500 million (€4,502 million at 31 December 2012), 100% financed by equity.

At 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Non-current assets		4,380	4,676	296
Working capital		1,521	1,126	(395)
Employee termination benefits	[B5]	(1,399)	(1,302)	97
Net invested capital		**4,502**	**4,500**	**(2)**

(*) Notes to the separate financial statements.

Non-current assets break down as follows at 31 December 2013 and 31 December 2012:

At 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Property, plant and equipment	[A1]	2,496	2,367	(129)
Investment property	[A2]	74	69	(5)
Intangible assets	[A3]	380	428	48
Investments	[A4]	1,430	1,812	382
Non-current assets		**4,380**	**4,676**	**296**

(*) Notes to the separate financial statements.

Compared with the situation at the end of 2012, non-current assets report a net increase of €296 million, following additions of €828.8 million and reductions of €532.8 million.

Additions regard:

- capital expenditure of €418.8 million, of which, as described in the section "Investment", 58.2% relates to investment in ICT (Information & Communication Technology), 29.4% to the modernisation and renovation of buildings and 12.4% to postal logistics. In more detail, additions during the year primarily regard: €227.7 million invested in *property, plant and equipment* (the purchase of hardware for post offices, non-routine maintenance of properties owned by the Company, etc.), €190.8 million invested in *intangible assets* (for example, the development of software for use in IT platforms);
- acquisitions of *investments*, totalling €410 million, regarding: €350 million to subscribe new shares issued by Poste Vita SpA; €50 million and €10 million in capital contributions for SDA Express Courier SpA and Mistral Air Srl in order to cover losses reported at 31 December 2012; €7 thousand to subscribe 76% of the share capital of the newly established Poste Holding Participações do Brasil Ltda, the company set up to launch a new Mobile Virtual Network Operator in Brazil under a joint venture with the Brazilian postal provider, Correios.

Reductions regard:

- depreciation, amortisation and impairments of €501.1 million, including €353.7 million relating to *property, plant and equipment*, €143.2 million to *intangible assets* and €4.2 million to *investment property*, after reversals of impairments;
- impairment losses of €27.7 million on the investments in SDA Express Courier SpA (€26.7 million) and PosteShop SpA (€1 million) to bring their carrying amounts into line with the value of the companies' equity at 31 December 2013;
- retirements and sales of €4 million, including €2.7 million relating to *property, plant and equipment*, €1.2 million to *investment property* and €0.1 million to *non-current assets held for sale*.

Working capital breaks down as follows at 31 December 2013 and 31 December 2012:

At 31 December (€m)	Note(*)	2012	2013	Increase/(Decrease)
Trade receivables and other current receivables and assets	[A7] [A8]	4,385	4,213	(172)
Trade payables and other current liabilities	[B8] [B9]	(2,722)	(2,945)	(223)
Current and deferred tax assets and liabilities	[C10]	973	783	(190)
Provisions for risks and charges	[B4]	(1,354)	(1,089)	265
Trade receivables and other non-current assets and liabilities	[A7] [A8] [B9]	239	164	(75)
Working capital		**1,521**	**1,126**	**(395)**

(*) Notes to the separate financial statements.

Working capital amounts to €1,126 million, representing a decrease of €395 million compared with the end of 2012. The rise is essentially due to the following:

- a €172 million decrease in the balance of *trade receivables and other current receivables and assets* and an increase of €223 million in *trade payables and other current liabilities*, deriving in part from the impact of the tax consolidation arrangement[18]. During 2013 Poste Italiane, as the consolidating entity, collected a receivable of €193 million from Poste

18. Poste Italiane SpA has adopted a tax consolidation arrangement, which it has elected to apply in accordance with the related law during the period 2013-2015, together with the subsidiaries, Poste Vita SpA, SDA Express Courier SpA and Mistral Air Srl. Following adoption of the tax consolidation arrangement, consolidated tax expense is determined 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.

Vita for current tax expense for 2012 and increased the amount payable to this company by €157 million having acquired tax assets resulting from advance payments[19] made by the subsidiary in 2013;
- a reduction in net *current and deferred tax assets and liabilities*, totalling €190 million, primarily due to fair value gains on securities held by BancoPosta RFC, resulting in a reduction in deferred tax assets;
- a reduction in *provisions for risks and charges*, totalling €265.4 million, representing the balance of new provisions, totalling €371.3 million, and uses/releases of €636.7 million, primarily relating to liabilities linked to personnel expenses and BancoPosta's operations.

At 31 December 2013 **Equity** amounts to €5,430.2 million and breaks down as follows:
- Share capital €1,306.1 million
- Reserves €1,801.9 million
- Retained earnings €2,322.2 million.

Compared with 31 December 2012, equity has increased by €1,117.3 million due to the following changes:

Additions:
- a €495.2 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 €107 million net of tax;
- recognition in equity of net actuarial gains and losses on provisions for employee termination benefits, totalling €57 million net of tax;
- profit for the year of €708.1 million.

Reductions of €250 million regard the payment of dividends to the shareholder.

In addition, as already noted in the review of the Group's performance, the shareholder, the MEF, since the sentence handed down by the European Court of Justice became final on 13 September 2013, is required to return the amounts transferred to the MEF by Poste Italiane in implementation of the European Commission's Decision C42/2006 of 16 July 2008.

19. Following the conversion into law of Law Decree 133 of 30 November 2013, containing "Urgent measures regarding property tax, the sale of publicly owned properties and the Bank of Italy", the advance payment for IRES for banks and financial institutions, the Bank of Italy and insurance providers has increased to 130% for 2013.

LIQUIDITY

For the year ended 31 December (€m)	2012	2013
Cash and cash equivalents at beginning of year	**1,209**	**192**
Cash flow from/(for) operating activities	147	982
- cash flow generated by operating activities before movements in working capital	(60)	(227)
- movement in working capital	(360)	668
- financial assets and liabilities attributable to BancoPosta	567	541
of which BancoPosta deposits not yet invested in financial assets	*(1,266)*	*912*
Cash flow from/(for) investing activities	(335)	(1,265)
Cash flow from/(for) financing activities	(479)	575
Cash flow from/(for) shareholder transactions	(350)	(250)
Adjusted movement in cash	**(1,017)**	**42**
Adjusted cash and cash equivalents at end of year(1)	**192**	**234**
Amounts that cannot be drawn on due to court rulings	(26)	(14)
Unrestricted net cash and cash equivalents at end of year	**166**	**220**

(1) Cash and cash equivalents does not include the restricted component of cash deposited in the buffer account held at the MEF (€1,266 million at 31 December 2012 and €354 million at 31 December 2013).

Reconciliation with statement of cash flows in financial statements		
Adjusted cash and cash equivalents	192	234
Restricted cash	1,266	354
Net cash and cash equivalents at end of year	**1,458**	**588**

Cash generated by operating activities during the year amounts to €982 million, whilst cash generated by financing activities amounts to €575 million. As described in the review of the Group's performance, this latter figure is the result of the issue of bonds, with a total nominal value of €800 million, listed on the Luxembourg Stock Exchange. A portion of the funds raised was used to repay previous borrowings.
Cash generated was, among other things, used to fund capital expenditure of €419 million and investment in financial assets of €156 million, consisting of capital injections and/or loans to fund development of the businesses of the subsidiaries, Poste Vita and Banca del Mezzogiorno (MCC) (€600 million), financial support for certain other Group companies, totalling €60 million, and the subscription of new shares issued by Alitalia, totalling €75 million.
Cash and cash equivalents at the end of the year, after the distribution of €250 million in dividends to the shareholder, amounts to €234 million, remaining at a similar level to the end of 2012 (€192 million).

Net funds at 31 December 2013, as shown in the following table, amount to €930 million (net debt amounting to €189 million at the end of 2012). The improvement reflects, among other things, the positive movement in the fair value reserve for the financial assets held by BancoPosta.

At 31 December (€m)	Note[*]	2012	2013)
Financial liabilities attributable to BancoPosta	[B6]	48,722	48,702
Financial liabilities	[B7]	2,122	2,548
Financial assets attributable to BancoPosta	[A5]	(44,334)	(46,502)
Financial assets	[A6]	(1,683)	(2,010)
Net financial liabilities/(assets)		4,827	2,738
Cash and deposits attributable to BancoPosta	[A9]	(3,180)	(3,080)
Cash and cash equivalents	[A10]	(1,458)	(588)
of which:			
- Adjusted cash and cash equivalents		*(192)*	*(234)*
- Restricted cash		*(1,266)*	*(354)*
Net debt/(funds)		**189**	**(930)**

[*] Notes to the separate financial statements.

4. AREAS OF BUSINESS

One of the defining characteristics of Poste Italiane is its dedication to serving local communities, developing a range of services for Public Sector entities and offering citizens various services through a series of channels. Indeed, thanks to its integrated system of networks and digital communications platform, the Group supports public projects that facilitate Public Sector activities and at the same time enable members of the public and companies to save time and easily access services.

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

Local tax collection services, enabling the printout of statements showing the amount payable, were stepped up in 2013. Contracts have already been signed with many municipalities regarding tax payments at *Sportello Amico* counters. Moreover, in some municipalities it is possible to obtain a printout of the necessary information to pay the new refuse collection and services tax (TARES) using the 451 payment slip or form F24.

The provision of health-related services was also strengthened, with the trial launch of a medical test result collection service at the Florence 1 and Florence 2 Branch Offices, and the signing up of other healthcare providers for the service that allows patients to pay health service charges[20]. This makes it possible for patients to pay for services provided by eligible entities and to obtain a receipt that is valid for tax purposes directly from the health authority.

In July the website www.postesalute.it, which aims to provide a forum for the general public, public and private healthcare providers and doctors, was also launched. As well as enabling online access to the same services as those provided at *Sportello Amico* counters, the website offers new dedicated services, such as the "Personal Healthcare File", which has three separate components: an electronic archive of healthcare documents; the Diary service, which enables recording of medical appointments, vaccinations, and dosage information for prescribed medications; and an application for recording healthcare expenses incurred (pharmacy receipts, health service charge payment receipts, healthcare service bills, etc.).

The INPS certification service, which enables applicants to obtain INPS statements of contributions, certificates of pension and social security contributions paid and the Obis M (pension certificate) across the entire post office network, was boosted in 2013.

In addition, based on a new contract between AMA SpA and Poste Italiane SpA, applications from AMA users regarding refuse collection may be submitted at around 110 *Sportello Amico* post offices in the Municipality of Rome.

Finally, in confirmation of the attention the Company pays to social developments in Italy, a new service model was launched on a trial basis at the Prato 4 and Rome 158 (Termini railway station) post offices, entailing two different versions depending on the ethnic composition of the customer base: a mono-ethnic post office, in areas with a high concentration of a specific ethnic group (e.g. Chinese in Prato), and a multi-ethnic post office, in areas with a high concentration of different ethnic groups (e.g. Rome, Milan and Turin). In these post offices the counter staff and consultants (retail and business) speak the languages of the various ethnic groups present.

20. It is currently possible to pay for healthcare services at post offices on behalf of the Florence 10 local health authority, Cosenza provincial health authority, Caserta local health authority, the Sardinia Regional Authority, Siena local health authority, the Reggio Calabria and Salerno hospital trusts, and Basilicata Regional Authority.

4.1 POSTAL AND BUSINESS SERVICES

The *Contratto di Programma* (Planning Agreement) regulates relations between the Ministry for Economic Development and Poste Italiane SpA regarding provision of the Universal Postal Service.
As agreed with the Ministry for Economic Development, the three-year period 2012-2014 is governed by the provisions of the *Contratto di Programma* (Planning Agreement) 2009-2011 pursuant to the extension referred to in art. 16, paragraph 3, of the Planning Agreement. The levels of government compensation to be provided in relation to the cost of the universal postal service in the relevant three-year period must be notified to the European Commission for assessment of the part regarding government compensation, in accordance with EU legislation on state aid.
The Philately business is also regulated by the *Contratto di Programma* (Planning Agreement), as far as the issuance of Postage and Revenue Stamps is concerned, by granting the Ministry for Economic Development the exclusive right to programme such issues, with distribution and marketing by 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 the related services; the determination of regulated tariffs; the audit of Universal Postal Service quality standards; and oversight of fulfilment of the universal service provider's obligations and those deriving from its licences and authorisations.
On 5 June 2012 the AGCom adopted Resolution 286/12/CONS, which launched the procedure relating to the "approval of the Poste Italiane tariff review", completed with Resolution 640/12/CONS of 20 December 2012.
As a result of this measure some important changes have been introduced from 1 January 2013, relating to the range of products covered by the Universal Service and the related tariffs for non-bulk national and overseas mail, national registered mail and mail relating to legal process. Two new services, *Posta Prioritaria Pro* and *Posta Raccomandata Pro* (regarding priority and registered mail) have been devised for use by customers sending direct mail within Italy – with no special preparation or packaging – franked using methods other than stamps and those available in post offices. Online tariffs for *Posta Raccomandata* and *Posta Prioritaria* (registered and priority mail) have also been reviewed.

Other AGCom initiatives involved:
- amendments to the Conditions of Service regarding bulk mail (Resolution 92/13/CONS of 6 February 2013)[21];
- approval of regulations regarding the settlement of disputes arising from complaints in the postal sector, following a public consultation also attended by Poste Italiane (Resolution 184/13/CONS of 28 February 2013). The Regulations define procedures for all postal operators regarding the management of complaints, settlements and disputes before the Regulator, and in particular set out time limits for completion of these procedures as well as specific obligations relating to reporting on websites;
- approval of the General Terms and Conditions of Service relating to provision of the universal postal service (Resolution 385/13/CONS of 20 June 2013), which replace those approved by ministerial decree of 1 October 2008 and are in keeping with intervening changes in legislation and the availability of new technologies, such as the possibility to offer ancillary digital services alongside those of a more traditional type.

21. The main changes introduced provide for:
    a) a reduction, from 5 to 4, in the number of boxes qualifying for access to the service;
    b) the option for customers to make a prior request for an additional logistics service for volumes of mail in excess of 2,000 kg per shipment or of over 20 million items a year, in order to correctly plan the additional service;
    c) a new procedure for standardising bulk mailings;
    d) new provisions regarding items presented by customers at collection points after latest collection times;
    e) a reduction in the minimum threshold for direct payment by customers from 1.5 million items a year to 500 thousand;
    f) a review, at 30 September 2013, of the number of zones and the related divisions, in order to reduce the number and simplify pre-handling operations for operators and customers;
    g) publication of the conditions, the relevant forms and the warranty policy on the Company's website.

On 16 April 2013 AGCom, with Resolution 293/13/CONS, defined the standard to be used for classifying post offices as of importance for tourists for the purposes of rescheduling working days and opening hours during the summer period. In particular, together with the criterion provided for by the Ministerial Decree of 28 June 2007, regarding recognition of a municipality's "primary role as a tourist destination", the Regulator identified objective criteria relating to actual accommodation capacity, defined as the ratio between available beds and resident population, and whether postal transactions increase or remain the same during the summer period.

On 12 December 2013, with Resolution 711/13/CONS, AGCom launched an investigation regarding authorisation of an alternate day delivery model, proposed by Poste Italiane on a trial basis. During the investigation, which is currently in progress, the regulator asked Poste Italiane for detailed information on the new trial delivery model project.

With regard to the collection of local taxes and the related services offered or developed by Poste Italiane, Law 64 of 6 June 2013, which converted into Law Decree 35/2013 and was subsequently amended by Law 147 of 27 December 2013, has further postponed, until 31 December 2014, the cessation of the audit, settlement and collection activities carried out by Equitalia SpA. The entry into effect of the new regime has been put off many times since 1 January 2012, the original deadline established by art. 7, paragraph 2, letter gg-*ter*) of Law Decree 70/2011, converted into Law 106 of 12 July 2011, the so-called *Decreto Sviluppo* (Development Decree).

Regarding the publishing sector, in accordance with the provisions of art. 1, of Law 147 of 27 December 2013, the following measures have been extended until 31 December 2016:
- the application of tariffs for the publications of parties enrolled on the Register of Communications Operators;
- the regulation of deliveries of publishing products by non-profit associations and organisations (enrolled on the same register) and armed and combat forces pursuant to Law Decree 216 of 29 December 2011.

4.1.1 MAIL AND PHILATELY

In order to bolster revenues from traditional services, which have been affected by a market downturn, Poste Italiane continues to focus on strengthening customer relations, developing new personalised integrated solutions, and integrating hybrid and digital communication services. In this context, expansion of the range of traditional services (the development of real-time tracking, reporting services for mail sent, etc.) using the Company's technology platforms is of key importance. Regarding the latter, with the development of the "Multi-product Tracking Service for Large Accounts" platform, the *Posta Prioritaria* and *Posta Target* tracking functions were extended, from the collection stage until delivery by postmen and women, as well as implementation of postal product tracking, using the handheld devices issued to postmen and women, right through to their destination, recording the place, date and time of delivery. The service has been rolled out at a number of distribution centres and will be progressively extended throughout the country.
In this regard, the *Raccomandata Da Te* registered mail pickup service was also developed, enabling customers to call freephone 803.160 or use the www.poste.it website to request the collection of mail directly from their home or business. The service is available throughout Italy and operates in the areas served by the Electronic Postman service. The functions carried out by the handheld devices with which postmen and women are equipped were also extended, with the launch of the service enabling the payment of "674" and "123" type bills by payment slip (pre-printed slips where the amount payable is filled in by the payer and blank slips), in addition to the existing "896" type (for large invoice issuers).
Regarding the tailor-made *Chiamami* delivery services, the service to request a second delivery of registered and insured mail (in the event of absence of the addressee at the first delivery attempt) was expanded to include mornings, thereby offering customers the chance to arrange for the collection of undelivered registered and insured mail from their homes.
On the integrated services front, evolution of the INS (Integrated Services) platform enabled development of reporting services for returns of undelivered bulk and priority mail for business customers and for delivered and undelivered business mail.
Finally, as a result of the contract awarded to Poste Italiane by Equitalia SpA for the Northern and Southern areas, activities were launched regarding provision of notification, reporting and dematerialisation services for tax collection notices

and documents, and services designed to support taxpayers with regard to the delivery of notices that have not been served were also rolled out.
Philately customers, consisting of stamp collectors and occasional customers, continue to express interest in the range of stamps and associated products on offer. The subscription service continued to perform well in 2013, witnessing the addition of 400 new customers, while online sales of postage stamps to tobacconists registered around 28,000 orders (approximately 12,000 in 2012), partly due to activation of the *Francobollofacile* service, which enables postage stamp purchases via the website www.poste.it.
Spazio Filatelia outlets, which continue to be a reference point for collectors wishing to purchase philately products, are located in major Italian cities[22]. A total of 1,492 temporary outlets were also set up during the year at various local and national events.
The philately programme for 2013 featured several issues that celebrated, among other things, the Pontificate of His Holiness Pope Francis, the Operatic Festival of the Arena of Verona in the centenary of its foundation, and the Edict of Milan. Italian art and culture were celebrated with, among other things, stamps dedicated to Giuseppe Verdi, in the bicentennial of his birth; Bologna Theatre, to mark the 250th anniversary of its inauguration; Giovanni Boccaccio, 700 years after his birth; Giuseppe Gioacchino Belli, on the 150th anniversary of his death; the Mole Antonelliana; and Nardò Cathedral.
In 2013 an album of Italian stamps dedicated to the Popes, created in collaboration with Vaccari "Habemuspapam", was published, while publication of the series "Once upon a time we had the lira", which relates the history of Italy through stamps and coins, was concluded.
In addition to organising the customary national philatelic events, Milanofil and Romafil, Poste Italiane took part in international philatelic events in Germany (Sindelfingen and Essen), France (Paris) and San Marino.
During the year, in addition to the "Philately and Schools" project, involving pupils from elementary and middle schools, the "Philately in Prisons" project was launched, following the agreement signed on 12 February 2013 by Poste Italiane, the Ministry for Economic Development and the Ministry of Justice, as well as by the Federation of Italian Philatelic Societies and the Italian Philatelic Press Association. By promoting stamp collecting in prisons, the project aims to help prisoners in the process of rehabilitation and reintegration within civil society.

The **Postel Group** continued its efforts to support business development during the year by revisiting operating and organisational processes, improving the quality of services and upgrading IT infrastructure and equipment.
With regard to corporate actions, on 17 September 2013 Postel SpA acquired Banca Monte dei Paschi di Siena's 15% interest in Docutel Communication Services SpA, thus becoming the sole shareholder. On 26 September 2013 the Board of Directors of Postel SpA approved the plan to merge Docutel Communication Services SpA with and into Postel SpA, and the related merger deed was signed on 17 December 2013. The transaction was effective for legal purposes from 19 December 2013, whilst the tax and accounting effects were backdated to 1 January 2013.

22. 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		2012		2013	
	Delivery within	Target	Actual	Target	Actual
Prioritary Mail(*)	**1 day**	**89.0%**	**92.9%**	**89.0%**	**90.4%**
International Mail(**)					
inbound	3 days	85.0%	92.0%	85.0%	84.9%
outbound	3 days	85.0%	89.6%	85.0%	82.5%
Registered Mail(***)	**3 days**	**92.5%**	**94.9%**	**92.5%**	**93.7%**
Insured Mail(***)	**3 days**	**94.0%**	**98.8%**	**94.0%**	**98.8%**

(*) Based on data certified by IZI on behalf of AGCom.
(**) IPC - UNEX End-to-End Official Rule data.
(***) Monitored by the electronic tracking system.

MAIL AND PHILATELY OPERATING RESULTS

	Volumes ('000)			Revenue (€m)		
	2012	2013	% inc./(dec.)	2012	2013	% inc./(dec.)
Priority mail	899,144	870,526	(3.2)	681	718	5.4
Bulk mail	1,261,495	1,117,230	(11.4)	685	578	(15.6)
Additional services	6,517	3,959	(39.3)	8	3	(62.5)
Total unrecorded mail	**2,167,156**	**1,991,715**	**(8.1)**	**1,374**	**1,299**	**(5.5)**
Registered mail	219,126	197,209	(10.0)	833	763	(8.4)
Insured mail and legal process	32,433	31,862	(1.8)	222	233	5.0
Total recorded mail	**251,559**	**229,071**	**(8.9)**	**1,055**	**996**	**(5.6)**
Philatelic products and Other Basic services	**n/s**	**n/s**	**n/s**	**137**	**77**	**(43.8)**
Integrated services	**50,725**	**50,416**	**(0.6)**	**252**	**247**	**(2.0)**
Multi-channel services	**8,136**	**6,986**	**(14.1)**	**39**	**33**	**(15.4)**
Direct Marketing	**982,522**	**861,210**	**(12.3)**	**250**	**208**	**(16.8)**
Unaddressed Mail	**534,670**	**500,044**	**(6.5)**	**32**	**29**	**(9.4)**
Services for Publishers	**545,244**	**490,397**	**(10.1)**	**155**	**133**	**(14.2)**
Post Office box rental				**8**	**7**	**(12.5)**
Total market revenue				**3,302**	**3,029**	**(8.3)**
including Philately Products and Revenue Stamps				172	124	(27.9)
Electoral subsidies				**10**	**56**	**n/s**
Total Mail and Philately(*)	**4,540,012**	**4,129,839**	**(9.0)**	**3,312**	**3,085**	**(6.9)**
Postel Group - External revenue	**-**	**-**	**-**	**196**	**168**	**(14.3)**

n/s: not significant
From 2009 notices of receipt for registerd mail have been treated separately, with priority mail volumes (2012 and 2013) also including these items.
(*) Overall mail volumes, including items handled by Postel and relating to Promoposta (11 million items), amount to approximately 4,414 million items at 31 December 2013.

The market for traditional postal services continues to contract. Moreover, unlike other sectors, and also partly due to the dual effect of economic recession and electronic replacement deriving from internet and digital communications 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 entered into decline.
Indeed, the results for mail and philately services in 2013 reveal reductions in both volumes and revenue of 9.0% (410 million fewer items handled in 2013 than in 2012) and 6.9% (a decrease in revenue of €227 million), respectively, primarily due to the poor performances registered by Unrecorded Mail (volumes down 8.1% and revenue down 5.5%), Recorded Mail (volumes down 8.9% and revenue down 5.6%) and Direct Marketing (volumes down 12.3% and revenue down 16.8% compared with the previous year).
The impact of the decline in volumes was partly mitigated by the price changes introduced by AGCom Resolution 640/12/CONS of 20 December 2012, regarding certain universal service products.
In detail, the contraction in the Unrecorded Mail segment, which registered revenues totalling €1,299 million (€1,374 million in 2012), is essentially due to the performance of Bulk Mail (144 million fewer items handled than in 2012, corresponding to a fall in revenue of €107 million). As noted above, this reflects lower demand for "traditional" forms of communication. This was above all due to large accounts in the financial and insurance sectors, who continued to develop the digital channel as an alternative to the physical channel by increasingly using the various types of digital communication, and the economic downturn, leading customers, above all large accounts, to look for cost savings.
Recorded Mail generated revenue of €996 million, marking a 5.6% decrease (down €59 million) compared with 2012, due to the negative performance of Registered Mail (22 million fewer items handled, corresponding to a fall in revenue of €70 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. Indeed, the computerisation of the Public Sector (e.g. the computerised procedure for sending tax returns, sickness certificates and parental leave certificates), together with new communication channels (e.g. the obligation for VAT registration holders to use certified electronic mail since July 2013), have contributed to the deterioration of the results.
Integrated services registered a 2.0% decrease in revenue, falling from €252 million in 2012 to €247 million in 2013, due to, despite largely stable volumes (down 0.6% on the previous year), a different product mix in the segment.
Multi-channel services revenue is down €6 million from €39 million in 2012 to €33 million in 2013, due to the steady ongoing decline in traditional telegram services.
As mentioned above, demand for Direct Marketing services was down 12.3% (121 million fewer items sent compared with 2012), and revenue fell 16.8% (down €42 million on the previous year), due to the reduction in corporate advertising.
The market for Services for Publishers registered overall decreases in volumes of 10.1% (55 million fewer items) and in revenue of 14.2% (down €22 million), primarily due to a reduction in magazine and newspaper subscribers, replacement by online versions and the reorganisation of companies in the sector.
Electoral subsidies of €56 million (€10 million in 2012) represent amounts payable by the Italian State for the subsidised tariffs charged to election candidates.

Philately revenue included in postal services revenue, including revenue generated by the sale of stamps, amounts to €124 million (€172 million in 2012). This income was generated by a Philately Programme that included 50 issues with 88 stamps and 4 envelopes and postcards with a value of €40.85 (48 issues with 83 postage stamps and 5 envelopes and postcards with a value of €56.20 in 2012).

The **Postel Group's** external revenue is down 14.3% on the previous year, falling from €196 million in 2012 to €168 million in 2013. This reflects the downturns registered in the traditional businesses of Mass Printing (€74.8 million in 2013, compared with €100 million in 2012), Door-to-Door services (€11 million in 2013, compared with €14.1 million in 2012) and Direct Marketing/Commercial Printing (€21.3 million in 2013, compared with €22.8 million in 2012), partly reflecting the impact of the government's spending review, which resulted in a significant reduction in volumes.
The results achieved by the Electronic Document Management business bucked the trend, registering a 3.6% rise from €47.6 million in 2012 to €49.3 million in 2013. This performance is highly appreciable in the light of the unfavourable economic backdrop and confirms the wisdom of the strategic decisions aimed at sharpening the focus on development and

expansion of innovative services, as an effective response to the decline in the segments that make up the Postel Group's core business.
In view of the downturn in revenue, the Postel Group has taken significant steps to drive down operating costs which, at consolidated level, are down from €183 million in 2012 to €157 million in 2013.
The Postel Group's contributions to consolidated operating profit and profit for the year are €11 million (€13 million in 2012) and €6.7 million (€8 million in 2012), respectively.

4.1.2 EXPRESS DELIVERY AND PARCELS

In 2013 the Group aimed to strengthen its customer relations and enhance its business model, by adding to its logistics and technology platforms and introducing innovative tracking solutions to better respond to an increasingly competitive marketplace.
To this end, the Poste Italiane Group focused its attention on the e-commerce and export segments, which had the greatest influence on the development of its domestic and international offerings.
In Italy, a specific offering designed for e-commerce operators was completed. This consisted of a range of new products to meet various customer requirements, in terms of delivery times (one or more days) and type of service (premium and standard): *Express Box* and *Promopacco*, of which the latter is undergoing trials.
Express Box, launched in collaboration with Consorzio Logistica Pacchi ScpA and SDA Express Courier SpA, is an express delivery service for the B2C (Business to Consumer) sector, which combines SDA Express Courier's speed of distribution with the widespread nature of the postal network, offering addressees the chance to choose whether to have their parcel delivered to their home or business address or to one of a large number of post offices located around the country (the so-called *Fermoposta*).
The *Promopacco* trial is aimed at meeting the requirements of major business customers who need to send a large number of shipments without any additional services. In the collection, sorting and delivery phases, it is based on an integrated SDA-Poste Italiane logistics system.
In the retail segment, in order to streamline post office procedures and make it easier for customers to access services, the parcel services offering has been simplified.
Paccofree, a new pre-franked and prepaid product that provides a standardised format for deliveries, was launched in October. This product also allows customers to send their parcels within one year of purchasing the package, either from their own homes or from one of around 8,000 enabled post offices.
Finally, *Box Return*, an international reverse logistics parcel service (return of undelivered mail), which can be set up with countries where postal operators are enabled to provide the service, is being launched on a trial basis for inbound deliveries from Holland only. The service enables overseas customers who have made online purchases from Italian vendors to return goods without incurring shipping charges.

In the business segment, the ongoing general economic crisis continued to weigh on the performance of the subsidiary, **SDA Express Courier SpA**, with the situation worsened by tough price competition. Industrial action by the trade unions, which affected the cooperative responsible for sorting activities, also had major repercussions in terms of higher operating costs and lost revenue.
The only sector countering the general market downturn is the B2C e-commerce segment. However, while the positive effect of this growth has partially offset the impact on volumes of the reduction in B2B shipments, it has also had a negative impact on unit margins. The type of shipment required by the B2C e-commerce segment (primarily serving private customers) involves more complex operating processes for delivery, thus raising the cost of providing the service.
In this context, with the aim of strengthening the company's position in the B2C market, the offering has been enlarged with the introduction of new ancillary services, including *Svincolo Proattivo* and *Riconsegna su Appuntamento*. *Svincolo Proattivo*, in the event of failure to deliver due to an erroneous or incomplete address, commits the company to finding the correct delivery address. *Riconsegna su Appuntamento* automatically generates a new delivery time, in the event of absence of the addressee on the first delivery attempt.

Further changes regard the addition of new ancillary *Smart Alert* services (the sending of a text and/or email message advising the addressee and/or sender of the status of the shipment) with new functions, such as:

- the option of receiving a Shipment Delivered message, showing who signed for the package and the time of delivery;
- inclusion, in the messages, of the numbers assigned to the order and the merchant sending the shipment (key information for addresses who have made distance purchases);
- the use of both Italian and English in the messages in order to develop an offering increasingly capable of meeting the needs of a globalised market.

Internationally, a new Air Freight service has been launched for the fast shipment of all types of goods throughout the world without limits on weight or volume. Cooperation with the Eurodis network regarding the *roadEurope* service, which provides road transport for the B2B market in 34 European countries, also continued.
Finally, the company continued to fulfil the cooperation agreement entered into with UPS (United Postal Service Inc.), involving the sorting, pick-up, transportation and distribution of express courier parcels, which has been outsourced to SDA.

Service quality

For the year ended 31 December		2012		2013	
	Delivery within	Target	Actual	Target	Actual
Standard Parcels	**3 days**	94%	96.8%	94%	93.8%
Postacelere Express Delivery	**1 day**	90%	88.7%	90%	83.1%
Paccocelere	**3 days**	98%	99.3%	98%	95.4%

All products are monitored with an electronic tracking system.

OPERATING RESULTS

Poste Italiane SpA's Express Delivery	Volumes ('000)			Revenue (€m)		
for the year ended 31 December	2012	2013	% inc./(dec.)	2012	2013	% inc./(dec.)
Domestic	5,470	5,172	(5.4)	56.4	50.7	(10.1)
International	1,534	1,728	12.6	30.9	33.3	7.8
Total	**7,004**	**6,900**	**(1.5)**	**87.3**	**84.0**	**(3.8)**

Poste Italiane SpA's express delivery volumes were down 1.5% and revenue was down 3.8% on 2012. The reduction in volumes essentially regards the domestic market (298,000 fewer items, equal to a €5.7 million reduction in revenue compared with 2012), whilst the international segment performed well (up 12.6% in volume terms and 7.8% in terms of revenue) as a result of services provided to customers in the B2C e-commerce segment.

	Volumes ('000)			Revenue (€m)		
	2012	2013	% inc./(dec.)	2012	2013	% inc./(dec.)
Domestic Express Delivery	39,645	43,000	8.5	263.5	275.1	4.4
International Express Delivery	4,822	11,027	n/s	27.2	43.9	61.4
Espresso Internazionale Export	195	203	4.1	7.6	8.1	6.6
Espresso Internazionale Import	4,627	10,824	n/s	19.6	35.8	82.7
Tailor-made services	n/r	n/r	n/a	36.7	39.1	6.5
Other revenue	n/r	n/r	n/a	13.9	14.2	2.2
Total SDA Express Courier SpA - External	**44,467**	**54,027**	**21.5**	**341.3**	**372.3**	**9.1**

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
n/s: not significant

The subsidiary, **SDA Express Courier SpA**, made a positive contribution to this segment's results, recording growth in volumes and revenues, 21.5% and 9.1%, respectively, compared with 2012 (deliveries up 9.6 million, and revenue up €31 million).
In detail, the Domestic Express Delivery segment registered a good performance, with volumes up 8.5% on 2012 (shipments up 3.4 million), compared with more modest growth in revenue (up 4.4%, equivalent to increased revenue of €11.6 million), due, as mentioned above, to the positive contribution of e-commerce, albeit characterised by rather low margins.
The International Express Delivery segment also performed well (volumes up 6.2 million, and revenue up €16.7 million), benefitting from the partnership agreements with the Eurodis network and UPS. In particular, the well-established partnership with UPS (United Postal Service Inc.) led to SDA carrying out around 10 million shipments in 2013 (over 3.6 million shipments on behalf of UPS in 2012), generating revenue of over €31.5 million. The partnership with the Eurodis network led to around 300,000 inbound and outbound shipments (200 thousand in 2012), generating revenue of approximately €3.7 million (revenue of around €3 million in 2012).

Earnings from Tailor-made services, which are personalised, flat-rate services, rose 6.5% (up €2.4 million) due to the acquisition of new orders and application of higher prices, primarily to banks.

Overall, SDA Express Courier SpA saw revenue rise from €452 million in 2012 to €478 million in 2013, whilst operating costs totalled €505 million (€516 million in 2012). Revenue from customers outside the Poste Italiane Group amounts to €372 million (€341 million in 2012). The company reported an operating loss of €27 million (operating loss of €64 million in 2012).
As a result of application of art. 2447 of the Italian Civil Code (capital below the legal minimum), in 2013 the Parent Company proceeded to inject fresh capital to cover the loss of €50.5 million reported for 2012, which was significantly influenced by an impairment loss on goodwill amounting to €37 million.

Overall, the company reported a loss of €20.4 million (a loss of €50.5 million in 2012).

	Volumes ('000)			Revenue (€m)		
	2012	2013	% inc./(dec.)	2012	2013	% inc./(dec.)
Domestic Parcels	898	986	9.8	8.9	10.0	12.4
Parcels - international export	517	566	9.5	21.0	22.8	8.6
Parcels - international import	191	165	(13.6)	2.3	2.0	(13.0)
Total	**1,606**	**1,717**	**6.9**	**32.2**	**34.8**	**8.1**

Universal Parcels Service revenue of €34.8 million (€32.2 million 2012) reflects the good performances registered by Domestic Parcels (up 9.8% in volume terms and 12.4% in terms of revenue compared with 2012) and International Export Parcels (up 9.5% in volume terms and 8.6% in terms of revenue compared with 2012). This made up for the reduction recorded by International Import Parcels (down 13.6% in volume terms and 13% in terms of revenue).

DIGITAL AND MULTI-CHANNEL SERVICES

Poste Italiane, in collaboration with Postecom, offers digital communication solutions: hybrid communications, *Postemailbox*, and cloud and e-commerce services, using its various commercial channels.
The hybrid communication offering enables registered letter, telegrams and priority mail to be sent online. The service is aimed at retail customers via the website www.poste.it, as well as business customers, for whom various solutions are available, including: the website www.posta-online.it, with the *Postaonline Corporate* and *Postaonline PMI* options and the *Host to Host* solution that directly integrates customers' management systems with Poste Italiane systems, thus enabling large companies and central government entities to manage substantial volumes of mail. Business customers may also ship items offline, thanks to the installation of special software on their computers.
With regard to cloud services, the *PosteCloud* offering was launched in 2013. By leveraging Poste Italiane's defining characteristics (data centres located solely in Italy and meeting high standards of security and reliability, and technical expertise developed over many years of managing complex and innovative projects), customers are offered a new way of using services, providing: accessibility and user-friendliness; flexibility and modularity; personalisation and measurement.
PosteCloud consists of three offerings: "Virtualizza", "Digitalizza" and "Comunica e Collabora".
The *Virtualizza* offering, primarily targeting Public Sector entities and large accounts, gives customers access to Poste Italiane's IT and storage capabilities (using new generation data centres), enabling them to "virtualise" their servers by handing over management to Poste Italiane, improve the efficiency of processes and cut IT costs (as IT investment is not needed).
The *Digitalizza* offering, targeting SMEs, professionals and local authorities, is a cloud-based version of the electronic document storage and management service, providing document workflow solutions handling digitalised documents, thus reducing the use of paper and streamlining processes.
Comunica e Collabora supplements all existing channels, offering cloud-based versions of Poste Italiane's digital communication and cooperation tools, such as Certified Electronic Mail, Digital Signature and Backup, integrated with the Microsoft Office 365 platform.
In tandem with the launch of the cloud offering, the PosteCloud vortal[23], www.poste-cloud.it, explaining what the offering includes and how to use it, was also launched.
Since its launch in 2012, the Poste Italiane Group has developed an e-commerce offering called *Poste e-commerce*, providing fully integrated solutions designed to meet the needs of different types of business and at all stages of the e-commerce process. In this regard, alongside the *Smart* and *Master* offerings launched in October 2012, the Group introduced its *Leader* (a packaged offering) and *Custom* (a customised offering) solutions in 2013, targeting medium-sized to large companies.
On the international front, Poste Italiane and Postecom continued to work together on the conclusion of bilateral agreements with selected overseas postal operators in order to set up international marketplaces[24]. To this end, in cooperation with the Dutch postal operator, Postnl, the first version of the "Shoppen in Italie" marketplace was launched in July, with a view to testing basic functions and end-to-end processes via actual purchases and shipments. A partnership agreement was also signed between China Post and Poste Italiane, which will enable Italian companies to make online sales in China.
The Express Delivery and Parcels segment saw further development of the functions available to online customers, with the Group websites, *Paccoweb* and *Io Invio*, now offering the possibility to ship parcels abroad. In addition, from June customers wishing to send parcels within Italy using the Paccoweb service can hand them in at post offices under the new *Light* option. Thanks to the integration of web and technology platforms, this gives customers the option of having their parcel either collected from their home or handed in at a specially enabled post office. Use of this portal streamlines the process of handing in parcels at the post office, as customers pre-register their shipments online, with clear benefits in terms of reduced handling times.

23. A vortal or vertical portal is a site that offers high added value content and services to meet the specific needs of a particular user category.
24. These are websites providing marketplaces for the sale of goods or services, namely online markets where the goods of various merchants or various websites are grouped together. The most well-known example of a marketplace is eBay.

Special attention was also paid to e-commerce in the international segment. Launched in December, the *Postareply* international service for mail weighing 2 kilos or less is aimed at e-commerce operators. The service enables their overseas customers to return goods and documents via a postcard, a pre-addressed envelope or a pre-printed label.
SDA Express Courier also continued to offer interactive services through its www.sda.it website. Over 18 million visits were logged during the year (15 million in 2012), whilst around 72 million tracking requests were made (35 million in 2012) and around 2.7 million customers logged on to schedule pick-ups from their home or business address (2.4 million in 2012). 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. In 2012 the SDA Mobile application was introduced, which enables direct monitoring and management of deliveries using smartphones.
During 2013 the website benefited from a number of upgrades and additions aimed at improving accessibility and user-friendliness. In this regard, the conciliation procedure was added to the online help desk, with a page describing what the process entails and an easy-to-use online form. The customs help desk was upgraded and new content added, providing users with a guide explaining the different ways of making an overseas shipment. Finally, with a view to simplifying returns procedures for e-commerce customers, "InvioEasy" was launched. Via this technological solution, SDA manages the entire process, including the booking of collection times, production of shipping documents and sending information to final customers with pick-up details for the goods.

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 2013 Banca del Mezzogiorno-MedioCredito Centrale (BdM-MCC), in line with its mission, pursued the objective of supporting companies operating in southern Italy, through its lending activities and by promoting and facilitating access to government subsidies.
Therefore, the strategic guidelines are geared towards developing activities that should ensure profitability and sound and prudent management of the bank. To this end, BdM-MCC carried out an in-depth analysis of the economic situation on the ground, the demand for medium/long term borrowing from companies in southern Italy, the bank offering in the eight regions concerned and, above all, the composition of the local entrepreneurial fabric, in order to design its own offering. This analysis enabled the bank to target the best companies operating in the local market for its lending activities.
At 31 December 2013, the greatest exposures (76% of the current loan book) are to Campania, Sicily and Puglia, regions classified as "highly attractive", which together account for around 70% of southern Italy's GDP.

In order to meet the financial requirements of SMEs located in the Calabria region, in December 2012 the bank signed a Facility Agreement with the EIF (European Investment Fund) regarding management of the JEREMIE Calabria Fund. In 2013 this agreement enabled the provision of loans for capital expenditure with particularly competitive conditions thanks to the co-financing arrangement (50% with EIF funds at zero interest rates, and 50% with funds from the bank at market rates).
With regard to subsidised loans, during 2013 the bank continued to manage the disbursement of public funds (such as the *Fondo Centrale di Garanzia per le PMI*, a central guarantee fund for SMEs, and other forms of subsidy) involving many industrial policy objectives (access to credit, promotion of research and technological innovation, support for investment in plant and machinery, incentives for SMEs to raise capital) pursued via a wide range of subsidies (interest rate subsidies and capital grants, easy credit terms, tax relief, loan guarantees, equity participation and negotiated planning).

Despite the difficult economic situation that continued to have negative impacts on the banking sector, BdM-MCC registered a good performance in 2013, reporting net interest income of €21.1 million, up €13.1 million on 2012, primarily generated by the contribution of new loans. Net fees, amounting to €35.4 million (€31.6 million in 2012), derive from the activities of the "subsidised" segment, especially the fees generated by management of the *Fondo Centrale di Garanzia per le PMI* (central guarantee fund for SMEs). Despite the 8.5% IRES surtax[25], the Bank's net profit for the year was up, rising from €7.1 million in 2012 to €11.6 million in 2013.

25. As a result of the conversion into law of Law Decree 133 of 30 November 2013, relating to "Urgent measures regarding IMU, the sale of public properties and the Bank of Italy" an 8.5% surtax was levied on banks and financial institutions, the Bank of Italy and insurance companies and entities for the 2013 tax year, thus raising the IRES rate to 36%.

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.
Regarding UCIs, four new "buy and hold"[26] bond funds were launched in 2013. Distribution of a bond fund was also restarted in November.
Total assets under management in relation to the company's lines of business at 31 December 2013 amount to €45.9 billion (€36.5 billion at 31 December 2012, up 26%). The assets of UCI customers amount to €4.8 billion (€4.1 billion at December 2012, up 16%), while the assets of individual Investment Portfolio service customers (managed for the Poste Vita Insurance Group) amount to €41.1 billion (€32.4 billion at 31 December 2012, up 27%).
At 31 December 2013 the gross inflow of UCIs amounted to €2,148 million, compared with €1,407 million in the previous year (up €741 million, or 53%), while redemptions amounted to €1,387 million, up €1,010 million on 2012 (up €377 million, or 37%). Stripping out mutual fund redemptions during 2013, the pattern of gross inflows and redemptions resulted in net inflows of €761 million, compared with net inflows of €397 million in 2012 (up €364 million, or 92%).
The principal contribution to total gross inflows was from traditional bond funds (€950 million or 44.3% of the total inflow), followed by buy and hold funds (€871 million or 40.5% of the total inflow). Other contributions were made by balanced funds (€217 million, or 10.1% of the total inflow) and equity funds (€107 million, or 4.9% of the total inflow). Flexible funds also attracted customer demand (€3 million, or 0.2% of the total inflow). Redemptions were concentrated in traditional bond funds (55% of the total).

The company reported net profit of €11.1 million (€8.7 million in 2012), which was also affected by the 8.5% increase in the ordinary IRES rate for 2013, payable pursuant to paragraph 2, art. 2, of Law Decree 133 of 30 November 2013.

26. Buy & 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 securites that are affected as little as possible by price fluctuations and short-term volatility.

4.3 INSURANCE SERVICES

4.3.1 POSTEVITA INSURANCE GROUP

In 2013, in a context still marked by a high degree of uncertainty that conditioned consumers' expectations and their ability to save, the PosteVita Insurance Group primarily focused its efforts on:
- consolidating and strengthening the 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 PosteAssicura 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 €13 billion, while a marginal contribution was made by the sale of Branch III products (€79 million in 2013, compared with €1.1 billion in 2012).
Total premium revenue amounts to €13.2 billion (€10.5 billion in 2012, up 25%).

PosteVita also consolidated its undisputed leadership in the pensions market, with the number of subscriptions to *Postaprevidenza Valore* exceeding 630,000, taking the company's pension fund to the top of the rankings, with the highest number of members among all the pension funds operating in Italy. Moreover, with the aim of expanding its insurance products and services offering and in line with the current growth in supplementary pensions, during 2013 PosteVita requested and obtained authorisation, via a COVIP directive of 17 July 2013, to establish an open pension fund called "PosteVita Fpa - Fondo Pensione Aperto".
Sales of pure risk policies (term life insurance) also performed well. These are sold in stand-alone versions (or bundled with investment products), with over 39,000 new policies sold during the year, whilst around 122,000 were new policies, again of a pure risk nature, sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network.

In order to provide the company with sufficient capital to fund its expected growth in the coming year, as well as to achieve a capital ratio of around 120%, in July and December 2013 two capital increases were carried out, amounting to €350 million, both of which were subscribed by the Parent Company.

As a result of the operating performance, technical provisions for the direct Italian portfolio amount to €65.2 billion[27] (€55.1 billion at the beginning), including approximately €56 billion in Branch I and V provisions (€45.5 billion in 2012). Provisions for products where the investment risk is borne by policyholders amount to €9.2 billion (€9.6 billion at 31 December 2012).
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 maximum prudence, with a portfolio primarily invested in Italian government securities and highly-rated corporate bonds. Returns on investment from separately managed accounts (4% for *PostaValorePiù* and over 5% for *PostaPrevidenza*), as well as from the company's free capital, both registered good performances.

Gross profit for the year amounts to €497.3 million (up €59.2 million on 2012). However, it should be pointed out that, as was the case for net profit of €253.7 million (€265.5 million), the new 8.5% IRES surtax for 2013 introduced in November had a significant impact, adding tax expense of €49.3 million.

27. At consolidated level, these provisions amount to €67.9 billion, as they take into account the deferred liabilities to policyholders resulting from application of the shadow accounting method.

During 2012 the subsidiary **Poste Assicura** issued a total of around 323,000 new policies resulting in insurance premium revenue of €47.5 million (€47.5 million in 2012), primarily deriving from accident insurance (39% of premiums sold), financial loss insurance (17% of premiums sold) and general liability insurance (15% of premiums sold). This, together with the sound claims record and the containment of operating costs, resulted in a profit of €5.5 million (profit of €4.6 million in 2012).
With a view to rationalising and optimising activities to achieve synergies within the insurance group, Poste Vita applied to IVASS (the insurance regulator) in December to approve the disposal of its non-life business to its subsidiary, Poste Assicura.

4.4 OTHER SERVICES

4.4.1 POSTEMOBILE

During 2013 PosteMobile focused its efforts on maintaining and strengthening its high-value strategy, developing promotions designed to drive customer acquisitions, including the introduction of MNP - Mobile Number Portability.
In a market environment in which it has an undoubted competitive edge, the company continued to grow its customer base, with key performance indicators remaining substantially in line. At the end of December 2013 the number of lines totalled 2.8 million (2.5 million at the end of 2012), including around 2.6 million for consumers and approximately 200,000 for businesses.
Voice service minutes totalled around 4.1 billion (up 20% on 2012), marking positive progress on outgoing (up 13% on the end of 2012) and incoming (+36% on the end of 2012) calls. At the end of 2013 usage amounted to 129.9 minutes per line/month, up 6% on the 122.3 minutes per line/month registered in 2012.
ARPU (Average Revenue Per Unit) stood at €7.0 per customer/month, down from €8.6 per customer/month in 2012, primarily due to the revision of regulated termination charges as of 1 January 2013, bringing down the rate charged from 2.5 to 1.5 cents per minute, and as of 1 July 2013, bringing down the rate charged from 1.5 to 0.98 cents per minute.
The company focused its efforts during the period on the innovation of its commercial offering, adding new services and further developing the company's role in the mobile payment services market.
In the consumer market, PosteMobile continued the gradual transformation of the customer base aimed at increasing the number of fixed price plans.
The company also made significant progress in expanding its range of value added services, which continue to play a vital role in PosteMobile's positioning. The most successful developments included the new *Mobile 3GigaNEW* option, which provides internet access from smartphones and tablets, offering 3GB of data from the APN (access point name), wap.postemobile.it.
In terms of distinctive services, in line with developments in the mobile market, where smartphones are playing an increasingly important role, 2013 saw the company proceed with the development and expansion of the new PosteMobile App, introducing new financial, m-commerce and public services.
The PosteMobile App enables customers to use their smartphone to apply for the virtual prepaid e-postepay card to make online purchases and to use the *Semplifica* services.
In line with growth in the number of participating merchants around the country, the commercial offering for NFC (Near Field Communication) payments, launched in Milan in December 2012, was extended to include Turin and Rome, marking a further major step in the integration and convergence of telecommunications with financial services.

The number of mobile payment transactions carried out by PosteMobile customers during 2013 amounts to 26.6 million (23.4 million in 2012), equivalent to a value of €290 million (€256 million registered in the previous year).

Despite an upturn in the customer base, the above reduction in termination charges led to a reduction in sales and service revenues, which are down from €338.7 million in 2012 to €321.1 million in 2013.
The cost of goods and services, whilst affected by the cost of implementing the IT platform relating to the commercial agreement signed regarding execution of the Full MVNO[28] project (corresponding to €3.5 million), fell from €266.8 million in 2012 to €247.0 million in 2013.
The company reports an operating profit of €25.4 million (€27.9 million in 2012) and profit for the year of €15.8 million (€18.1 million in 2012).

28. The Full MVNO development project, by introducing a significant evolution in PosteMobile's technological infrastructure in terms of network systems and business supports systems, enables the company to acquire greater autonomy and control over the quality of the services it provides to its customers.

5. HUMAN RESOURCES

5.1 HEADCOUNT

The workforce employed by the 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 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013
Executives	747	785	764	788
Middle managers	15,107	15,560	15,284	15,820
Operational staff	124,246	123,932	123,434	122,874
Back-office staff	4,346	3,324	3,494	2,744
Total workforce on permanent contracts	**144,446**	**143,601**	**142,976**	**142,226**
Traineeships	49	4	31	-
Apprenticeships	46	40	43	42
Total	**144,541**	**143,645**	**143,050**	**142,268**

	Average for the year ended	
Flexible workforce	31 Dec 2012	31 Dec 2013
Temporary contracts	157	182
Fixed-term contracts	1,844	1,604
Total	**2,001**	**1,786**
Total permanent and flexible workforce	**146,542**	**145,431**

(*) Figures expressed in full-time equivalent terms.

Poste Italiane SpA

	Number of employees[*]			
	Average for the year ended		At	
Permanent workforce	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013
Executives	577	595	586	596
Middle managers (A1)	5,853	6,068	5,867	6,325
Middle managers (A2)	7,938	8,102	8,055	8,091
Grades B, C and D	121,773	121,406	120,934	120,297
Grades E and F	4,294	3,262	3,435	2,674
Total workforce on permanent contracts[**]	**140,435**	**139,433**	**138,877**	**137,983**
Traineeships	25	-	18	-
Apprenticeships	-	-	-	-
Total	**140,460**	**139,433**	**138,895**	**137,983**
[**] including:				
- Seconded	10	8	9	8
- Suspended without pay	1,904	1,768	1,736	1,646
- Seconded to Group companies	22	13	9	12

	Average for the year ended	
Flexible workforce	31 Dec 2012	31 Dec 2013
Temporary contracts	32	38
Fixed-term contracts	1,737	1,506
Total	**1,769**	**1,544**
Total permanent and flexible workforce	**142,229**	**140,977**

[*] Figures expressed in full-time equivalent terms.

5.2 TRAINING

Training activities were primarily aimed at supporting business and strategic development, raising staff awareness of compliance requirements relating to regulatory obligations, supporting organisational changes and developing a managerial culture.

A total of 1.1 million participations were registered, entailing provision of 356,000 person/days of training, of which 270,000 in the **classroom** (76%) and 86,000 through **e-learning** (24%).

Classroom courses (person/days)	Year ended 31 Dec 2012				Year ended 31 Dec 2013			
	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**
Postal services	75,264	4,067	265	**79,596**	87,541	6,461	343	**94,345**
Financial services	226	456	77	**759**	898	1,027	130	**2,055**
Private Customer/LAPS	140,203	53,938	564	**194,705**	118,581	45,538	454	**164,573**
Central functions	1,918	3,744	340	**6,002**	3,548	5,176	559	**9,283**
Total	**217,611**	**62,205**	**1,246**	**281,062**	**210,568**	**58,202**	**1,486**	**270,256**

e-learning courses (hours)	Year ended 31 Dec 2012				Year ended 31 Dec 2013			
	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**
Postal services	77,592	1,489	15	**79,096**	50,842	3,958	62	**54,862**
Financial services	1,480	934	36	**2,450**	3,868	1,688	98	**5,654**
Private Customer/LAPS	509,344	86,781	245	**596,370**	454,985	86,125	342	**541,452**
Central functions	3,154	3,522	112	**6,788**	10,086	9,312	440	**19,838**
Total	**591,570**	**92,726**	**408**	**684,704**	**519,781**	**101,083**	**942**	**621,806**
Total person/days	***82,163***	***12,879***	***57***	***95,098***	***72,192***	***14,039***	***131***	***86,362***

Training initiatives regarding regulatory matters saw continuation of online courses on money laundering prevention (involving around 24,000 staff) and market abuse (involving around 6,000 staff). In compliance with IVASS regulations, insurance sales courses and refresher courses for previously trained insurance sales staff were provided as usual, involving a total of around 160,000 staff.
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 950 staff including managers, supervisors and operators. A classroom "Security in SP" course was also given on legal matters and security systems and equipment.

For the Private Customer function special attention was given to business support activities, including courses on developing sales techniques (involving 2,000 staff) and on ways of holding commercial and motivation meetings for the sales force (involving around 600 staff). The long-term asset management training course, aimed at increasing sales staff's knowledge of savings and investment products in relation to financial instrument markets, involving around 2,000 staff, was completed.

Another business growth support initiative was carried out in collaboration with the Polytechnic University of Milan. The programme, entitled “Empowering Business in the Digital Era” and broken down into four thematic workshops (e-Government, e-commerce, social business and cloud computing), was aimed at staff from the various corporate functions responsible for the creation and development of digital businesses.

Following the organisational changes that have affected postal deliveries, an extensive training programme was launched, aimed at upgrading the skills of staff allocated to new roles (around 450 staff trained in 2013). Ample attention was paid to the issue of quality management, with a classroom course on the responsibilities of the various roles involved, from managers to operators. A course was also provided for logistics and transport supervisors on distribution logistics issues, primarily focusing on correct fleet management procedures. Similar attention was also paid to upgrading the skills of the new innovative delivery services coordinators. Finally, regarding specific commercial activities, the online “Notification messenger” course involved around 5,300 staff, including postmen and women and delivery supervisors.

Regarding the BancoPosta function, courses were provided on regulatory matters, including money laundering prevention, usury, prudential supervision, privacy and payment systems, involving a total of 177 staff.

Cross-functional initiatives saw continuation of the “Internal Company Training Catalogue” courses, including a wide range of classroom and online solutions for the various professions present within the Company. The courses responded to the training requests arising from the performance assessments carried out in the previous year.

Training regarding social issues included these online courses: “Energy saving” (around 100,000 participants); “People and disability” aimed at encouraging professional and social inclusion (486 participants); and “Reintegration of staff returning from leave” (151 counter staff returning to work after a long period of absence).
Managerial development and training activities, which are increasingly geared towards a model that puts people at the centre of assessment and training processes in accordance with integrated procedures, some of them entailing agreements with leading business schools, included: a refresher course on strategic issues involving around 1,000 managers; implementation of corporate career paths (newly appointed managers, graduates, senior management training, etc.) involving 670 staff; and campaigns and role-specific training plans, including provision of courses from the “Internal Company Training Catalogue”, involving around 1,800 managers.

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. Funding for 77 training plans with a value of more than €4 million was applied for, whilst approximately €4 million was received during the year for 71 plans. Moreover, actions were launched during 2013 to recover the costs of managerial staff training from the Fondirigenti inter-professional fund.

5.3 HUMAN RESOURCES MANAGEMENT

Recruitment and selection procedures primarily focused on distribution channels and IT skills, including:
- the introduction of expertise aimed at financial promotion and sales activities, as well as young people, in order to facilitate the changeover to the younger generation for front-end sales positions (in post offices) continued;
- acquisition of new professional skills to boost IT capacity (the insourcing of activities).

Group companies also recruited from the labour market, especially Poste Vita, PosteAssicura and Postecom.
Despite the above needs to acquire specialist skills that are unavailable within the Group, in 2013 internal development procedures were stepped up via substantial use of job posting and initiatives designed to make use of graduates already in service.

Appraisal of the performances of middle managers and white-collar staff was launched somewhat earlier in 2013 than in previous years, which saw completion of the feedback phase in March. More than 87,000 appraisals were carried out by approximately 8,000 appraisers. With a view to guaranteeing standard criteria and internal fairness, the role of the local appraisal adjustment committees coordinated by the Regional Human Resources Departments was confirmed, and governance and monitoring processes and procedures were strengthened. The assessment process regarding managers was also launched and completed.

Regarding incentive polices, the managerial (Management by Objectives), commercial operations and professional incentive schemes were released.
Measures regarding remuneration policy were implemented for middle managers and white-collar staff.

Assessment of managerial potential using the Assessment Centre method involved around 80 middle managers and 420 white-collar staff in sessions aimed at identifying staff suitable for senior management positions or for development as middle managers.
Furthermore, the process, which is intended to provide for the control and exchange of organisational roles through the development of the most suitable staff, involved business and corporate structures. Management review meetings concerned around 830 staff, who were appraised and placed on "development positioning maps".
Finally, a new leadership model was developed, with the involvement of senior management in defining the hallmarks of the leadership role in the current challenging business environment. This model will be the benchmark for the "all-round appraisal" process that will involve all managers in early 2014.

5.4 INDUSTRIAL RELATIONS

Industrial relations at Poste Italiane primarily entailed negotiations during 2013 with labour unions on the following matters.

Reorganisation of Postal Services

Negotiations regarding reorganisation of the sector concluded on 28 February 2013, with the drawing up of a nationwide agreement that, as noted in the section on "Organisation", comprises an effective tool designed to improve the efficiency of services and the level of quality provided. With the aim of rapidly implementing what had been established at national level, local meetings were held to define matters specifically earmarked for regional negotiation, which concluded with the signing of an agreement that lays the foundations for gradual implementation of the new organisational structure.

Consolidation of the conditions of employment of staff formerly employed on fixed-term contracts and temporary and contract staff

Once again, this matter was dealt with the labour unions. On 21 March 2013 two agreements were signed that once again offered stable employment to people working at the Company subsequent to a provisional favourable court decision. In line with the previous agreements of 18 May 2012, an employee desiring to take advantage of the new arrangements keeps his or her job and returns amounts received from the Company under the court order.

Paid leave for union duties

On 12 April 2013 a statement of agreement was drawn up between the Company and the unions that regulates paid leave for union duties for 2013. In precisely defining the number of hours recognised for paid leave for each union, the agreement reduces the total amount allocated in 2012 by around 10% and means that it is no longer tied to the number of labour union representatives[29], as was provided for in the previous agreement. The Company and the unions also drew up operating procedures that simplify the management of paid leave for union duties and enable a more structured monitoring procedure for absences on labour union grounds.

Nationwide mobility - voluntary transfers

On 22 May 2013 an agreement was signed which, while confirming the framework of the previous agreement in force, introduced certain new elements aimed at rewarding attendance at work. Specifically, a system has been introduced that, by penalising sick leave, incentivises virtuous staff behaviour, which thus becomes a decisive factor in achieving a good ranking. Special attention is also paid to socially relevant situations.

Renewal of the National Collective Labour Contract

In June 2013, with regard to continuation of the period without a contract and in accordance with the provisions of art. 3 of the National Collective Labour Contract, in a specific statement of agreement the Company and the unions established payment of an advance related to the signing of the new National Collective Labour Contract, amounting to an average of €260, in line with the lump sum already defined in the previous bargaining round.

Additional bonus scheme

In order to encourage corporate competitiveness and further recognise the important contribution staff make to the achievement of operating results, on 6 June 2013 the Company and the unions agreed on the introduction of a bonus, for the period 1 January - 31 December 2013, linked to the Poste Italiane Group's EBIT.

29. Previously, the annual number of hours due to each labour union was determined by the number of staff enrolled and, therefore, the total number of representatives for the deduction of contributions on behalf of each union.

Adjustment of the Solidarity Fund

On 27 June 2013 the Solidarity Fund for Poste Italiane Group staff was adjusted, thereby implementing the Labour Market Reform Law[30] (so-called Fornero Law 92 of 2012). At the same time, legal restrictions that prevented the Fund from operating, and therefore did not allow the Company to benefit from the related payouts, despite having paid in a substantial amount of contributions, were removed. It was also agreed to extend the scope of application of the Fund to all Group companies, in order to provide them with adequate income support. The agreement was submitted to the Ministry of Labour for recognition by a specific decree, which will enable the Poste Italiane Group's new Fund to start operating, and unfreeze the accrued contributions, when it comes into force.

Private Customers - network simplification project

In July and October 2013, with the signing of two statements of compliance, the Company and the labour unions agreed the launch of a trial phase for the post office network simplification project. This project provides for adoption of an operating model that, by differentiating and focusing the management of post offices, and simplifying the range of products and services, will improve overall service standards.

Commercial offering agreement

On 22 October 2013 an agreement was drawn up regarding the process of delivering the commercial offering. This agreement was aimed at reaffirming the importance of promoting a corporate culture based on a shared value system, by orienting the behaviour of sales staff towards formats and methods that respect the principles of decency, honesty, transparency, discretion, diligence, loyalty and mutual respect.
Via this agreement Poste Italiane also wished to state its commitment to promoting communication initiatives aimed at facilitating dissemination of the principles contained therein.

Delivery agents

On 10 December 2013 the Company and the labour unions signed an agreement regarding the recruitment on fixed-term contracts of delivery agent staff, up to a maximum of 596 people, who are unemployed or beneficiaries of income support as a result of the total or partial insourcing of Poste Italiane's delivery activities. The new recruits, to carry out delivery activities in the Piedmont, Lombardy, Veneto and Emilia Romagna regions, will enter service in February 2014.

Bilateral Agencies

In 2013 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 and the Solidarity Fund.

Trade associations

Regarding trade associations, the agreement relating to membership of Confindustria for the period 2012-2013 was renewed. Therefore the Company will continue to use the services offered by Confindustria with a view to further boosting its presence and representation.

Social policies

In 2013 the internal welfare system was further strengthened, giving priority to these areas: work-life balance, healthcare and services for employees' families. Regarding the first area, 2013 saw confirmation of the upturn in telecommuting, with an average of 120 teleworking employees, and activation of a new crèche in Bologna.

30. The Labour Market Reform (Law 92/2012) established bilateral solidarity funds for sectors not covered by legislation regarding income support, in order to give staff some protection, for the duration of their employment contracts, in the event of a reduction in or suspension of employment on grounds provided for under the legislation.

5.5 LABOUR DISPUTES

Compared with the previous year, the number of labour disputes is down 61%; the number of actions brought amounted to 2,090, compared with around 5,325 in 2012.
Regarding flexible work:
- *fixed-term employment contracts:*
  around 856 new claims were submitted (3,452 in 2012), with cases lost, regardless of the year in which the claims were made, amounting to 19% (27% in 2012);
- *temporary and contract work:*
  25 new claims were submitted compared with 210 in 2012, with cases lost, regardless of the year in which the claims were made, amounting to 39%, also registering significant improvement compared with the 48% recorded in 2012.

Regarding fixed-term employment contracts, the principal source of litigation, it should be pointed out that an important ruling was handed down by the European Union's highest court. The first of the two proceedings brought by the Labour Court of Naples before the Court of Justice of the European Union concluded with a positive outcome. Both proceedings regarded the non-compliance of art. 32 of Law 183 of 4 November 2010 (the so-called *Collegato Lavoro* legislation) with EU legislation. This is because, according to the referring judge, by fixing a ceiling for the compensation payable to employees in the event of invalidity of the expiry date for a fixed-term contract, the Italian law violates the principle of non-discrimination among employees.
Specifically, the fact that dismissed employees, in addition to re-employment, obtain full coverage for the period not worked, while those previously on fixed-term contracts, in addition to re-employment, only receive compensation for a period ranging from a minimum of 2.5 to a maximum of 12 months, was challenged.
The European court – while upholding the Company's arguments in its defence that coincided with the conclusions of the Advocate-General of the Court of Justice of the European Union – ruled that the 12-month ceiling fixed by the *Collegato Lavoro* legislation is legitimate, and that the contested provision (art. 32 of Law 183/2010) does not contravene European Union legislation.
Indeed, in this case there is no violation of the principle of non-discrimination: equal treatment cannot be cited if the situations are not comparable. This leads, on the one hand, to compensation paid in the event of termination of employment on the grounds of unlawful application of a time limit, and on the other, compensation paid in the event of unlawful interruption of a fixed-term employment contract.
Consequently, the second proceeding is still formally pending, regarding which the Court of Justice of the European Union has reserved the right to determine whether the second issue raised may be deemed to be covered by the first ruling, or if it warrants a specific ruling.
A public hearing has also been scheduled for 15 April 2014 at which the Constitutional Court will deal with the two issues of legitimacy raised by the Labour Court of Rome regarding paragraph 4, letter b of the above-mentioned art. 32 of the *Collegato Lavoro* legislation, which introduced specific limitation periods relating to submission of appeals against fixed-term contracts already completed before the date of application of Law 183/2010.

Finally, the number of disputes arising from other contractual terms and conditions fell from around 1,663 registered in 2012 to around 1,209 at 31 December 2013.

6. INVESTMENT

(€m)	2011	2012	2013
Intangible assets	154	172	191
Property, plant and equipment	190	229	228
Total Capital expenditure	**344**	**401**	**419**
Financial investments	478	0.1	410
Total investment by Poste Italiane SpA	**822**	**401**	**829**

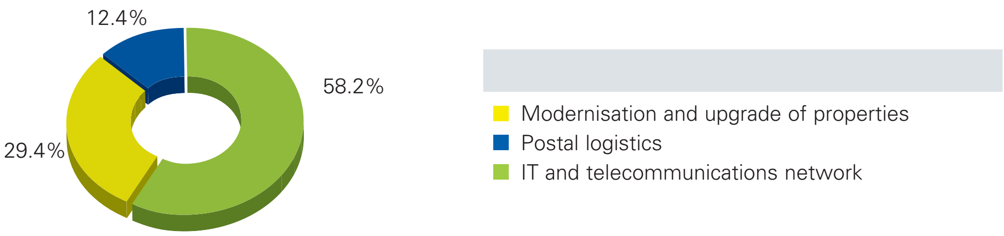
6.1 FINANCIAL INVESTMENTS

Amounts invested in 2013 by the Parent Company in subsidiaries and associates relate to the following events:

- subscription of the capital increase carried out by Poste Vita SpA, amounting to €350 million, in order to provide the company with sufficient capital to fund its expected growth;
- payment of €50 million to SDA Express Courier SpA to cover losses incurred as of 31 December 2012;
- payment of €10 million to Mistral Air Srl to cover losses incurred as of 31 December 2012;
- subscription of 76% of the share capital (€7 thousand) in the recently incorporated company, Poste Holding Participações do Brasil Ltda, set up to launch a new Mobile Virtual Network Operator in Brazil in joint venture with the Brazilian postal operator, Correios.

6.2 CAPITAL EXPENDITURE

Poste Italiane SpA's capital expenditure during the year, amounting to €419 million (up 4.5% on 2012), represents 83% of the Group's total investment.
58.2% of the investment regarded ICT (Information & Communication Technology), 29.4% modernisation and upgrade of properties, and 12.4% postal logistics activities.



6.2.1 IT AND TELECOMMUNICATIONS NETWORKS

Aware of market trends and new business opportunities, over the years Poste Italiane has pursued an investment policy that has enabled strategic repositioning, taking full advantage of the opportunities offered by emerging sectors. For example, the building of ICT infrastructures has strengthened Poste Italiane's presence in the innovative digital services market, where it enjoys a significant competitive edge, thanks to its offering that is among the most advanced and complete in the marketplace.

These physical and technological infrastructures – which are fully integrated, flexible and secure – as well guaranteeing efficient regional coverage, represent a key asset for the national economy. In 2013 the Parent Company invested approximately €244 million (€232 million in the previous year) in ICT projects with the aim of promoting innovation and developing areas of business based around new technologies, and maintaining a high level of security.

In relation to ICT platforms, consolidation and development of hardware, storage[31] and backup[32] systems continued, as well as activities aimed at redesigning the Group's Data Centre infrastructure. Over the years these activities have led the original 35 system rooms distributed nationwide to be reduced to 5 national hubs. In addition, during 2013, the rollout of the first 750 m^2 of the Turin Data Centre[33] was completed, as well as the setting up of a further 750 square metres.

During the year efforts were also focused on bringing the centralised storage, and backup infrastructures into line with actual business requirements, through increasing the availability of resources in terms of memory size and performance, and upgrading existing systems by retiring and replacing obsolete equipment and updating management tools.

Regarding the process of consolidating the server system, in 2013 the server capacity management[34] infrastructure was expanded in order to enable correlation and analysis of system performance with other infrastructures such as storage and backup, thus enabling what-if analysis taking into account the life cycle of projects and generating an integrated report on the use of all the IT assets that contribute to provision of the service. The capacity of virtual infrastructures was also upgraded.

In terms of computerisation, the upgrade of the hardware used at post offices and administrative offices continued, with the acquisition of approximately 36,000 items, including personal computers, printers, POS, franking machines, barcode readers and other equipment.

With regard to Business Continuity & Disaster Recovery for financial services, work was carried out in order to boost the storage capacity of the infrastructure and upgrade the technology.

The computerisation of Customer Relationship Management (CRM) services and the Enterprise DataWarehouse (EDWH), in support of the sales network, continued, with completion of the technological upgrade of the EDWH, which boosted the system's data processing capacity and speeded up the process of integrating corporate information asset data.

Other initiatives in the financial service sector included: upgrade of the ATM IT architecture to assure the adequacy and efficiency of self-service systems, and construction of a new electronic money platform (electronic card management system) that is capable of handling a large number of cards and high transaction volumes.

Regarding the physical and logistical security of corporate assets, the Company continued to invest in cyber-crime prevention. The CERT - Computer Emergency Response Team started operating during the year, which, according to the definition approved by the European Network and Information Security Agency (ENISA), is "an organisation that studies data and network security in order to provide services that respond to cyber incidents and victims of attacks, and also publishes alert bulletins regarding vulnerabilities and threats that are monitored on an ongoing basis, as well as providing additional information to support the enhancement of data and network security". Poste Italiane is the first Italian organisation to set up an operating CERT accredited at international level, which already provides consistent oversight of IT risk prevention activities via integrated management of data flows from various existing security safe-

31. The term storage refers to the hardware, infrastructure and software used to store large quantities of electronic data.
32. The centralised backup infrastructure enables the Company to make copies of all the data and applications used by the systems located in Poste Italiane's Data Centre.
33. In addition to the Turin site (which is partially up and running) 5 Data Centres are operational: Rome Arte Antica, Rome Congressi, Pomezia, Bari and Rozzano.
34. 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.

guards within the Group. This represents a unique operating interface for external security information sharing, and internally offers qualified and specific support for the various types of business.

6.2.2 MODERNISATION AND UPGRADE OF PROPERTIES

In line with the strategy to develop Poste Italiane real estate assets, investment activities in 2013 continued to primarily concern the properties used in the Company's operations, residential properties and real estate services. The main activities regarded the upgrade and restyling of properties via 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 technology and equipment initiatives aimed at improving workplace health and safety in compliance with current applicable legislation, as well as supplementation and completion of documentation via the acquisition of fire prevention certificates and fit-for-purpose certification.
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 robbery protection systems.
Work on the modernisation and upgrade of properties used in operations regarded the complete restructuring of 70 post offices and the partial restructuring of approximately a further 300.

6.2.3 POSTAL LOGISTICS

Investment initiatives in the postal logistics segment regarded two areas: the operational compliance of routine and non-routine maintenance works regarding logistics equipment and infrastructures; and business development, with deployment of the necessary investment to support business requirements and to enable, via the potential of new technologies, the provision of value-added and integrated services for the Public Sector.
The activities, which are also in line with the provisions of the national agreement of 28 February 2013, are aimed at reshaping the organisational structure of the logistics network via redefinition of the production facilities and the number and type of sorting centres.
The traditional businesses are continuing without any changes to the service standards, with gradual adaptation to the operational organisation of current mail flows through: balancing of workloads at sorting centres, optimisation of transport networks and rationalisation of delivery zones. In particular, four additional digital technology units[35] were set up at the Cagliari, Palermo, Padua and Venice sorting centres for the dematerialisation of documents and paper-based mail, in order to prepare the way for the introduction of new digital services.
Further initiatives involved:
- the launch of operational compliance works regarding real estate and equipment at the sorting offices in Padua and Verona, and completion of works at the sorting offices in Florence;
- the upgrade of 54 distribution centres affected by the amalgamation of delivery sites;
- the construction of facilities for the delivery of undelivered mail at 75 delivery centres;
- the retirement of 11 obsolete plants at the Fiumicino, Naples and Padua sorting centres.

Delivery network investment was aimed at strengthening existing infrastructure (assets and equipment), and identifying new technological solutions for the Electronic Postman project in line with the development of the products offered and

35. At 31 December 2013, 11 digital technology units are in operation (Rome, Milan, Florence, Bari, Naples, Turin, Bologna, Cagliari, Palermo, Padua and Venice).

the role of postman and woman launched in previous years. Indeed, thanks to handheld devices which enable delivery tracking and are equipped with a POS for processing electronic payments, postmen and women are already able to deliver small parcels, carry out contact activities, complete the payment of bills by payment slip, top up Postepay cards, collect registered mail, and open Conto BancopostaClick accounts free of charge on the customer's doorstep. During the year a further 2,900 handheld kits equipped with POS were distributed, and around 4,000 obsolete kits were replaced. Around 26,000 postmen and women are now equipped with handheld devices.

7. RISK MANAGEMENT FOR THE GROUP AND POSTE ITALIANE SPA

RISK MANAGEMENT

Poste Italiane has established processes for risk identification and analysis across a number of functions which have been structured based on the complementarity of the functions' expertise. In this context, the Company has significantly bolstered its Enterprise Risk Management (ERM) system in order to support and supplement the processes, tools and initiatives needed to assess the levels of risk to which the different areas of the Company are exposed. The system is based on a model for integrating internal information flows and focuses on analysis by function and process and on the measurement of risk in qualitative and quantitative terms, using key performance and risk indicators (KPIs and KRIs) in line with the most recent international risks management standards and best practices. The aim is thus to consolidate a process capable of integrating all the various specialist analyses and controls in order to provide a single overview of the Company's risk exposures and implement effective mitigation initiatives, taking into account the presence of an increasingly strong risk culture. The system is intended to facilitate an understanding of how risks are interrelated and enable the efficient use of resources and the optimal management of risks common to the organisation as a whole.
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. The ongoing implementation of additional preventive and counter measures has enabled the Company to progressively improve its levels of security. As a result, during 2013, 33% of total attacks were rebuffed. This figure is highly significant for the fact that the number of thefts has increased by 5%, in part probably due to the continuing economic crisis.
In terms of attempted theft, these events have decreased by 16%, confirming the established effectiveness of the security systems implemented at post offices (video and remote surveillance, armed guards), and the careful and diligent assumption, by staff, of appropriate and correct conduct facilitating the adoption of appropriate counter measures.
Effective counter measures, involving changes to ATM operating systems, were introduced in July, enabling the Company to significantly combat cash trapping[36] and eliminate instances of reversal cash trapping[37]. The Company is, however, looking at further preventive measures to be adopted in geographical areas where the problem is greatest.
Great attention is also paid to combating the risks deriving from potential fraud inside and outside the Company. Management of these risks ensures identification of those responsible, quantification of any financial losses incurred and coordination of prevention and monitoring with the aim of reducing exposure to the risk of financial losses and of damage to the Company's reputation.
To effectively combat such risks, Poste Italiane has adopted a range of tools, used by the various departments within the Company, to prevent the occurrence of such events, including the "Oracolo" system for checking proof of identity and

36. Cash trapping involves the insertion of a device into note-dispensing slots that temporarily capture notes inside the ATM.
37. Reversal cash trapping is a new form of cash trapping, where the criminal does not take advantage of the customer seeking to withdraw cash with their own card, but uses a prepaid card, with the stolen sum of money entirely attributable to Poste Italiane.

the "Identity Check" system for controlling access to the website at www.poste.it, enabling it to block perpetrators already known to the authorities. The Company also uses an anti-malware fraud detection service to pick up the presence of malware on the computers used by customers to access its online services. This service was introduced in July 2013 and, up to 31 December, has resulted in the interception of around 150 thousand malware attacks and the identification of over 30 thousand infected computers.
Although to a lesser extent than in the recent past, phishing continues to be one of the most prevalent and sophisticated forms of online fraud. Poste Italiane has for some time used a series of organisational and technological controls for the prevention, management and elimination of this crime. In 2013, this enabled the Company to deal with a total of 7,590 cases of phishing, resulting in the shutdown of 3,030 clone sites, with a daily average of 11 sites closed.
An average of only 3.7% of attacks targeting the Bancoposta online (67.69%) and Postepay (32.31%) domains were successful, thus registering an extremely limited and highly mitigated impact on the Company.
These results show signs of progressive consolidation and improvement, partly following the decision to assign responsibility for *Antiphishing Incident Response* to a leader in the sector.
Overall, the risks of fraud and/or criminal acts perpetrated by outsiders are monitored by the Central Warning system and the Security Control Room, as well as through customer awareness campaigns, focusing on greater fraud prevention initiatives and an expanded internal investigative capacity, combined with reinforced collaboration with the police and magistrates.
Finally, implementation of an Early Warning system to handle reports of new cyber threats was completed in 2013, covering vulnerability, malicious codes, security risks, critical issues and IP addresses identified as malicious and other data. The platform has been developed through the creation of a new portal, capable of handling the information from Global Intelligence Network services, thus enabling the Company's IT security teams to take a proactive approach to the protection of systems and remediation after an incident.
The Early Warning service is currently able to signal the discovery of new vulnerabilities and the presence of new threats, providing a description of the problem, its potential impact, how it spreads and the actions necessary to mitigate or combat the risk.

Information security

During 2013 the Company continued to focus significant attention on data security, conducting specific information security risk analyses and assessments based on a shared method. This involves an initial Business Impact Analysis, followed by a risk assessment regarding the processes, information, applications, operating systems, hardware and facilities relating to the relevant service. These activities have enabled application of a simplified process of Information Security Risk Management[38] to all new initiatives or evolved forms of existing services.
In addition, within the scope of cyber-crime prevention, the CERT - Computer Emergency Response Team started operating during the year. The team operates 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.
As noted in the section of "Investment", Poste Italiane is currently the first organisation to set up an operating CERT accredited at international level.
The work of the European Electronic Crime Task Force (EECTF), the international body set up by Poste Italiane, the United States Secret Service and Italy's Postal and Communications Police, continued. This involved periodic meetings of the permanent members and a Plenary Session on the issues surrounding the security of online payments and services. This has resulted in a strengthening of national and international cooperation and the setting up of further initiatives of this nature, including those in support of the operating activities of Poste Italiane's CERT.

38. Information Security (InfSec) means the application of security measures designed to protect information processed, stored or transmitted by communication and information systems, or by other electronic devices, against the accidental or intentional loss of confidentiality, integrity or availability, and prevent the loss of integrity and availability of the systems themselves. InfoSec measures include computer security and the security of data transmission and issue and cryptography, as well as the identification, documentation and neutralization of threats to information and systems.

Financial risks

Definition and optimisation of the financial structure, over both the short and medium/long term, and management of the Group's related cash flows is the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Group financial and associated risk management is primarily needed for the Parent Company and the insurance subsidiary, Poste Vita SpA.

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 with financial risks, including the progressive introduction of appropriate information systems.

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

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- an Investment Committee established at the Group's insurance company, Poste Vita SpA, and 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. The Committee meets once a month;
- 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 and checks compliance with the Guidelines drawn up by the Finance Committee.

The Parent Company's financial transactions primarily consist of BancoPosta's operations, the financing of assets and the investment of the Company's cash holdings. 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[39], 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 subject to the same requirements applied to the investment in deposits by private current account holders.

2013 also witnessed Poste Italiane SpA's issue, as part of its Euro Medium Term Note (EMTN) Programme, of two bonds listed on the Luxembourg Stock Exchange:

- one with a nominal value of €750 million (the fair value at 31 December 2013 is €777 million);
- one with a nominal value of €50 million (the fair value at 31 December 2013 is €52 million).

39. In addition, following the changes introduced by Law 191 of 23 December 2009, it became possible for BancoPosta to invest up to 5% of its deposits in securities guaranteed by the Italian government.

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 profit 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, include products whose benefits are revaluated based on the return generated through the management of separate pools of financial assets, with certain autonomy, in accounting terms, from the rest of 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 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.
Certain Branch I 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, as are other Branch I products, to separate pools of assets. The financial risk of capitalisation products is fully covered by insurance liabilities except for default by the issuer which is borne by the insurer.
Index-linked and unit-linked products, relating to Branch III insurance products, regard policies with premium 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, as such, 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. Some time ago the Company also adopted a "consulting service" model in the provision of investment services, with the aim of ensuring the suitability of any advice given to customers. 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, the Parent Company closely monitors the situation throughout the Group. This aims to ensure that it can keep track of the performances of the products sold and of changes in the risks to which customers are exposed, conducting careful assessments based on the contractual nature of the products in question in terms of the match with the needs of the various customers. This activity has been of particular importance in recent years, given that the crisis has had profound effects on the performance of all the financial instruments on the market, raising doubts about the creditworthiness of

government issuers and banks (the so-called sovereign debt crisis). In this environment, the performances of the real estate market and the products linked to it have been particularly poor, so much so that in March 2013 Assogestioni (the association that represents Italian asset management companies) proposed specific changes in legislation that would lengthen the duration of existing real estate funds in order to facilitate efficient management of the liquidation of such funds (considering the concentration of maturities in the period 2013-2015). With regard to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, Poste Italiane is, therefore, also closely monitoring market trends in order to protect its customers' interests, in addition to assessing the need for provisions in the financial statements.
Further information on financial risk management is provided in the notes to Poste Italiane's financial statements for the year ended 31 December 2013 (5. Risk management).

Regulatory risks

Given that the Group operates in a range of different sectors (postal, integrated communication services, logistics, financial), 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 continual revision to internal processes and procedures, their application to market offerings, initiatives designed to prevent external disputes and appropriate staff training, to list only a few. Regulatory compliance is the responsibility of specific units within the various departments, in addition to the Legal Affairs function.
Corporate Affairs also carries out ongoing analysis and assessment of acts of parliament, government policies and legislation in general, keeping other functions within the Company promptly informed. The function also lobbies for changes to legislation in the process of enactment or in force.

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 and e-learning 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 (universal postal service, 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.

8. EVENTS AFTER 31 DECEMBER 2013

On 24 January 2014 the Italian Cabinet approved a draft decree governing the sale of not more than 40% of Poste Italiane via a public offering of shares to Italian retail investors, including employees of the Poste Italiane Group, and/or Italian and international institutional investors.
The draft legislation is currently being examined by the relevant parliamentary committees. The shareholder and the Company have initiated the activities needed in order to complete the transaction by the end of 2014.

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

9. OUTLOOK

In 2014 the **Postal and Business services** segment will see the Company committed to reinforcing relations with business customers, through the development of personalised solutions and extension of the range of unaddressed mail services offered (*PostaZone Smart* and *Premium*). This will give customers greater assistance in planning and rolling out their advertising campaigns via creation of the Direct Marketing Competence Centre, a network of communications advisors. With regard to Direct Marketing, Poste Direct, a new web portal where customers can set up a direct mailing campaign on their own, will also be launched.
The Business services segment will also see the launch of 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.
Other activities will relate to the launch of *Posteinfopal* which, via a host of local data recording and processing services to support local authorities, 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.
In addition, the *Fund Boost* service will enable promotion of non-profit associations' fund-raising initiatives at addressees' homes via postmen and women equipped with POS terminals, who will be able to collect payments using the relevant payment slips.
Within the scope of integrated services, 2014 will see: extension of the range of Integrated Notification Services (visualisation and payment on smartphones and tablets, payment reminders, etc.), through greater integration with customers' value chains; expansion of the Speed offering for the integrated management of mail for certain vertical markets[40] and the creation of specific systemised solutions (e.g. digital services for the Ministry of Justice; support for the process of digitalizing communication between citizens and the Public Sector); the introduction of the PosteInteractive range, designed to make B2C relations more efficient, for managing complex processes requiring a high quality service (delivery, recognition, digitalisation, storage, etc.).
In the Express Delivery and Parcels postal services segment, the Group will continue to concentrate its efforts on activities aimed at optimising the product portfolio and support the development of e-commerce by exploiting all Poste Italiane's assets.
2014 will continue to witness concerted efforts on the operational and commercial front to further expand the range of possibilities on offer to customers. This will entail leveraging the widespread nature of the postal network so as to ensure that e-commerce products are increasingly flexible and complete, and to strengthen all the ancillary services of key importance to the principal operators in the sector: mailstop, the management or undelivered items and drop-offs.
The exploitation of potential synergies between collection centres, delivery networks and post offices will enable the Company not only to grasp new business opportunities, but also to develop products and offerings aimed at SMEs and Large Account customers, based on the requirements of specific targets, especially for up-and-coming destinations and expanding markets.

40. A vertical market is a market in which vendors offer goods and services specific to a certain industrial sector or a part thereof. Examples of this type of market are food and beverage, textiles, shoe manufacturing, medical instruments, etc.

The **philately** programme for 2014 will include issues linked to thematic series focusing on "Excellence in the productive and economic system", "Italy's artistic and cultural heritage", "Natural heritage and landscapes" and "Sport". The most important commemorative and celebratory issues will include the issue of stamps dedicated to the canonisation of John XXIII and John Paul II, Enrico Berlinguer and the Emperor Augustus.

Development of **Banca del Mezzogiorno-MedioCredito Centrale SpA**'s business will be driven by the strategy outlined in its business plan, focusing on the expansion and consolidation of its operations and, above all, on increasing lending. To this end, on 6 February 2014 Poste Italiane SpA subscribed newly issued shares in the subsidiary, amounting to €232 million.

The outlook for 2014, confirmed by the performance in the first quarter, points to further growth in the **PosteVita Insurance Group**'s business. Within the current economic environment, the investment policy will continue to be based on a prudent approach to asset allocation. Particular attention will be paid to the innovations necessary to boost Poste Vita's commercial presence, in terms of expanding its distribution capacity, new sales processes and new forms of training for salespeople, as well as new products and services for customers and specific commercial and marketing initiatives.
In order to support expected growth over the next three years and at the same time keep the solvency ratio at around 120% until the new Solvency II regulations come into effect, Poste Vita's Board of Directors has approved the issue of subordinated bonds with a total nominal value of up to €750 million, to be placed with institutional investors.
Finally, on 19 February 2014 an addendum modifying the insurance policy distribution agreement with Poste Italiane SpA was signed. This renewed the agreement until March 2019, with tacit renewal envisaged for a further five years.

In relation to the expanded scope of **PosteMobile SpA**'s business, 2014 will see the company engaged in designing, shaping and partially implementing new business models and completing preparations for the commercial rollout of mobile services in Brazil. As already mentioned elsewhere in this document, this has involved the establishment of Poste Holding Participações do Brasil Ltda.

These commercial initiatives will be implemented against an economic backdrop that does not show signs of any great improvement. According to the IMF, global growth will amount to 3.6% in 2014, with European growth not exceeding 2%. The Italian economy is expected to see slow growth, with GDP up by no more than 0.6%, hampered by a sharp decline in domestic demand due to difficulties in the credit market and the uncertainty holding back consumer spending and investment. The ongoing recession will continue to have a negative influence on the labour market, with unemployment in Italy remaining at around 12.6%, and on corporate profits. This uncertainty will also impact on the Poste Italiane Group's operations in 2014, which will also continue to be penalised by the steady contraction in traditional mail volumes.
During the year, the Company will be engaged in the process of privatisation/stock market listing, which is expected to be completed in the second half of the year. As part of this process, the settlement of certain outstanding receivables due from the state, a number of statutory and regulatory aspects and renewal of the contract governing the key commercial relationship with Cassa Depositi e Prestiti SpA, regarding the collection of postal savings deposits, will be of great importance.
The performance in 2014, which is expected to yield positive results, if not quite on a par with previous years, may, therefore, be influenced by developments in the privatisation process.

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

Statement of reconciliation of profit and equity

The statement of reconciliation of the Parent Company's profit/(loss) for the year and equity with the corresponding amounts for the Group at 31 December 2013, compared with the statement at 31 December 2012, is provided in Poste Italiane's financial statements (3.3 - Notes to the financial statements - Equity - B1 Share capital).

Legislative Decree 196 of 30 June 2003

Activity relating to data protection continued during the period. This takes the form of risk analyses and assessments, alongside the development of policies, guidelines and procedures, and monitoring and control of the application of the minimum security measures required by the Data Protection Code. To this end, the annual Privacy Census of the Company's personal data records was carried out in 2013, enabling assessment of the degree of risk to which the information is exposed and identification of the security requirements to be included in the related remediation plans.

The conclusion of this activity resulted in the revision of its Data Protection Planning Document[41]. Again in compliance with the Data Protection Code, cross-functional working groups have been set up to ensure correct implementation of the technical and organisational security measures required by amendments to Legislative Decree 196/2003, with particular reference to the following matters:

- the correct management of customer consents to the processing of their personal information (Law Decree 201/2011 and Legislative Decree 69/2012);
- compliance with requirements regarding the circulation of information for banking purposes and the tracing of banking transactions (Information Commissioner ruling of 12 May 2011).

41. The Data Protection Planning Document describes the Company's overall organisation, its technology infrastructure, and the distribution of roles and responsibilities within the departments involved in the processing of personal data and in overseeing the correct application of the minimum security requirements provided for by the Data Protection Code.

10.1 PRINCIPAL PROCEEDINGS AND RELATIONS WITH THE AUTHORITIES

AGCM (the Antitrust Authority)

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 with the aim of establishing 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 art. 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).

On 27 March 2013 the Authority concluded the procedure (notified on 23 April 2013), 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.

As of 180 days after notification of the ruling, the Authority requires "Poste Italiane to, therefore, cease the abuse by charging VAT on postal services, falling within the universal service, whose conditions of supply have been deregulated".

Poste Italiane has 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. The Company has thus requested its legal counsel to file appeal before the Council of State.

On 4 April 2012, the Lazio Regional Administrative Court upheld the appeal brought by Poste Italiane SpA against the imposition of a €39 million fine by the Antitrust Authority on 14 December 2011 in relation to procedure A/413. The court's decision was filed on 25 June 2012. The fine concerned 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.

The Antitrust Authority lodged an appeal regarding the sentence in November 2012, requesting its cancellation and/or amendment.

At the hearing on the merits held on 9 January 2014, the Council of State upheld the ruling of the Lazio Regional Administrative Court overturning the fine imposed by the Authority.

On 24 March 2011 the Antitrust Authority launched procedure PS/6858 regarding alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code) regarding the unavailability of forms relating to standard Registered Mail and 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.

On 28 June 2012 the Antitrust Authority launched an investigation (PS/7023) into the Parent Company's alleged infringement of artt. 20, paragraph 2, 21 and 22 of the Consumer Code regarding the dissemination of misleading advertising on its website aimed at promoting the *Paccocelere Internazionale* delivery service, and requested information. The investigation, during which Poste Italiane submitted depositions and commitments, was completed on 19 December 2012. The €45 thousand fine imposed was paid on 6 February 2013.

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 has responded to the Authority's requests for information, and has given 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 25 July 2012 the Antitrust Authority notified **PosteMobile** that it was initiating investigation PS/8287, regarding alleged violation of artt. 20, 21 and 22 of the Consumer Code. The Authority alleges 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. Having completed its investigation, the Authority issued ruling 24341 of 3 June 2013, which imposed an administrative fine of €100 thousand on PosteMobile, having concluded that the business practice in question was unfair pursuant to artt. 20 and 22 of the Consumer Code.
PosteMobile SpA has appealed the fine before the Lazio Regional Administrative Court, asking the court to rule on irregularities regarding procedural aspects and/or the merits of the case. On 15 May 2013 the Court suspended imposition of the fine. The hearing on the merits has been scheduled for 11 June 2014.

On 15 January 2014, at the end of an investigation of **Postel SpA** launched in 2009, the Authority imposed a fine of €340 thousand for the violations previously contested in the ruling of 13 April 2010. The company has appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation.

AGCom (the Italian Communications Authority)

As part of its investigation of "the setting of the price cap for services falling within the scope of the universal service obligation", initiated with Resolution 287/12/CONS of 15 June 2012, AGCom has approved Resolution 728/13/CONS, published on its website on 24 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.
It governs the prices that Poste Italiane may, in the two-year period 2014-2015, charge for priority mail, bulk mail, insured mail, legal process and standard parcel post, 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 overturn, following its suspension, Resolution 728/13/CONS.

In 2013 AGCom announced an extension of the deadline for completion of the investigation initiated 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". Extension of the deadline is necessary to permit the regulator to complete the complex process of acquiring and checking all the relevant data and information, including visits to the premises used by the universal service provider, relating to both the model for calculating the net cost of the universal postal service, as devised by Poste Italiane, and the method used to determine such cost. With Resolution 709/13/CONS the Authority further extended the deadline for the end of the investigation, postponing completion until 31 July 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 completed a questionnaire provided by AGCom, responded to subsequent requests for further information and held meetings with the Authority, presenting its view on the fairness of the current criteria. 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. The same resolution extended the deadline for completion of the procedure by a further sixty days[42].

On 4 June 2013 AGCom issued Resolution 372/13/CONS, alleging that Poste Italiane had failed to achieve its regional subtarget for priority mail in the Campania region, 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

42. The deadline for completion of the procedure was initially set as 180 days from the date of publication of Resolution 236/13/CONS (21 March 2013).

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. Poste Italiane is considering whether or not to appeal the above ruling before the administrative courts.
With regard to the remaining delivery targets, pursuant to Legislative Decree 261/99, on 27 December 2013 AGCom published the results for 2012 for the universal service (priority mail, registered and insured mail and standard parcel post), which are in line with the targets set by the regulator.

On 18 June 2013 AGCom initiated a penalty procedure (5/13/DISP), alleging that Poste Italiane had failed to adopt effective measures for the correct implementation of the planned rescheduling of the opening of certain post offices in 2012. The Company paid the fine in the reduced form of €10 thousand on 16 July 2013.

With Resolution 117/14/CONS of 13 March 2014, AGCom initiated an investigation concerning analysis and applicability of the mechanism for allocating and assessing the net cost for 2012. The procedure is scheduled for completion by 31 July 2014, unless this is postponed in order to request information and/or due to extensions by the Authority.

European Commission

With regard to the proceedings regarding 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 the return of the sums paid whilst awaiting judgement, plus the interest due. Poste Italiane also applied to the Commission for a refund of its costs, receiving a positive response on 22 January 2014.

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

IVASS (the Insurance Regulator)

On 2 April 2014 IVASS initiated an audit of **Poste Vita SpA**. The audit is still in progress.

Legal proceedings

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 performed 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.

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 fiscal 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. The audit has currently been halted.
The appeals lodged by **Poste Vita SpA** before the Provincial Tax Tribunal of Rome are currently pending. They regard the tax authorities' notification of alleged violations regarding the failure to pay VAT on invoices for service commissions in the

fiscal years 2004, 2005 and 2006. Whilst deeming the authorities' findings to be without grounds, the company has taken into account the uncertainty surrounding the outcome of the appeals 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, related 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 fiscal year 2008 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. 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) concluded a tax audit of **SDA Express Courier SpA** initiated in 2012 and direct taxes for the 2009 tax year and refuse collection taxes (*Ta.Ri.*) 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 yet to reply. It is considered unlikely that the Company will incur liabilities as a result of the audit.

In 2012 **Postel SpA** accepted the findings of a Tax Audit Report prepared by the *Guardia di Finanza* (Tax Police) after an audit of its direct and indirect taxes related to 2003-2006, obtaining a reduction in the IRPEG and VAT penalties. The company's appeal regarding the statute of limitations for the IRAP claimed by the tax authorities is pending before the relevant tax tribunal. In this regard, the company believes that it will be able to argue its case effectively.
In 2013 Postel SpA was also subject to an audit by the tax authorities, following a request for mutual administrative assistance from the tax authorities in the Czech Republic, with the aim of identifying any transactions with third parties. No violations were found to have been committed.

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, containing 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, 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. The appeals are currently pending before the Regional Tax Tribunal of Rome.

10.2 THE ENVIRONMENT

Its commitment to protecting the environment is, as far as Poste Italiane is concerned, an essential component of the Company's growth strategy. The Company's business development thus takes into account the need to safeguard the quality of life and the health and safety of the people who work for the Company and of the communities it serves, implementing initiatives and policies designed to boost energy efficiency and cut greenhouse gas emissions. Through its "Charter of Environmental Values" it also promotes 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.
Purchasing renewable energy, reducing consumption, improving the efficiency of its plant and equipment and installing solar panels to produce green energy are just some of the initiatives adopted by Poste Italiane in order to reduce the environmental impact of its operations and cut air pollution. In this way, the Company is also able to meet its commitments under the greenhouse gas emission reduction targets agreed in Brussels in 2008 by the European nations belonging to the International Post Corporation[43].
In this regard in 2013 Poste Italiane again gave 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 16 countries. This has resulted in around 50% of the energy used by Poste Italiane coming from such sources.
The other major area to which the Company is committed is energy saving. Given that over two-thirds of Poste Italiane's emissions are attributable to the energy used to supply its buildings, many initiatives regard the properties used by the Company. In this connection, the plan to optimise energy use continued through the encouragement, at the Company's over 15 thousand sites (post and delivery offices, sorting centres and headquarters departments), of staff 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 of the sites where energy consumption is highest, the correct setting of temperatures and time-settings for cooling and heating systems). At the same time, the Company continues to invest in the creation of photovoltaic power plants, not only with the aim of reducing carbon dioxide emissions, but also with a view to cutting power generation costs. In addition to the plants installed in previous years (the Triggiano post office in the province of Bari, the Rome training centre and the distribution centre in L'Aquila), major plants at the Fiumicino and Catania sorting centres came on stream in 2013.

Transport-related initiatives are also important, with the aim of making road transport networks more efficient. In this regard, the green vehicle fleet was boosted with the introduction of a further 301 electric quadricycles (making a total of 1,108) and around 1,000 Euro 3 class motorcycles, thereby cutting pollution, consumption and CO_2 emissions with respect to the vehicles previously in use.
In addition, in July 2013 the trial use of electric vehicles for mail delivery in old town centres, run in partnership with Enel and the Municipality of Pisa, came to an end.

Finally, Poste Italiane's interest in environmental issues also extends to its participation in workshops on sustainable transport; an example of this is its membership of Eurispes's Mobility and Transport Observatory.
Finally, an Environmental Management System (EMS), meeting UNI EN ISO 14001 standards, is in use at the Area Logistics Office for Central Area 1 in order to monitor the environmental aspects of fleet management.

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.

43. These commitments, contained in the EMMS (Environmental Monitoring and Measurement System) and also known as the "20-20-20 targets", require signatories to make energy savings of 20%, to ensure that 20% of all the energy they consume is renewable and to cut greenhouse gas emissions by 20% by 2020. Five years on from the launch of the programme, postal operators as a whole have contributed a 19.4% cut in emissions.

11. BANCOPOSTA RFC MANAGEMENT REVIEW

11.1 BANCOPOSTA RFC CORPORATE GOVERNANCE

The resolution, required by paragraphs 17-*octies et seq.* of art. 2 of Law Decree 225 of 29 December 2010, converted into law with amendments by Law 10 of 26 February 2011, to appropriate the capital funds needed for BancoPosta'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.
The formation of the ring-fenced capital was effective from the date the above resolution was filed with the Companies' Register on 2 May 2011, and was implemented subsequent to ascertaining that no objections had been raised by creditors. On 2 July 2011 BancoPosta's assets and liabilities were, for all intents and purposes, unbundled from those of Poste Italiane at that date or at any time in the future. These unbundled assets and liabilities will be subject to the Bank of Italy's prudential requirements, ensuring stability and sound and prudent management. BancoPosta's assets, liabilities and contractual rights were ring-fenced exclusively for the satisfaction of its obligations arising out of its day to day business, with Poste Italiane's liability being limited to the ring-fenced capital attributed from retained earnings.
BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended[44], namely:

- the collection of savings from the public in accordance with art. 11, paragraph 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, paragraph 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;
- the establishment of branches in other Member States of the European Union and other countries in addition to engaging in operations permitted in other Member States or countries outside the European Union without the need to establish a branch in such Member State or non EU country;
- the off-premises promotion, distribution and provision of banking and financial products and services[45];
- the introduction of professional gold trading on own behalf and on behalf of third parties, in accordance with Law 7 of 17 January 2000.

44. The most recent amendment was introduced by Law 221 of 17 December 2012, converting Law Decree 179 of 18 October 2012 on "Additional urgent measures to promote growth in Italy".
45. The permission to offer customers off-site products was accompanied by activities to strengthen the regulatory requisites for such operations, particularly personnel training and the implementation of appropriate procedural, information technology and control support.

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 provides 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 Chairman of the Board of Directors performs those functions required of him 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.

BancoPosta 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 of 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' concurrence. The document, prepared in compliance with banking regulations and Poste Italiane's internal rules, 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, as required by the relevant regulation.
In particular, the Board of Statutory Auditors, taking into account the particular nature of BancoPosta'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'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's control functions and the determination of the essential elements of the internal control system.

11.2 BANCOPOSTA'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

11.2.1 INTERNAL CONTROL SYSTEM

The internal control system 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 231/2001 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 Organisational 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 internal control system also involves other units with varying roles and responsibilities.

The objective of BancoPosta's Internal Auditing function, which is in compliance with the regulatory requirements contained in the Bank of Italy's Supervisory Instructions on controls to which BancoPosta is subject, is to assess the overall propriety of controls in terms of the adequacy and efficacy of systems, processes, procedures and arrangements for the security of BancoPosta's operations by conducting audits as planned for each year and approved by the Board of Directors.
Its work in 2013 is summarised in the annual audit report, the purpose of which is to provide information to corporate officers on the fitness and efficacy of BancoPosta operational control systems, processes and procedures and mechanisms. 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 attached General Operating Guidelines, for the IT audit and the audit of regional Poste Italiane units involved with BancoPosta products.

The risk of BancoPosta's non-compliance with regulation is controlled by the Compliance function whose work includes the provision of advisory and support services to operating and business functions with regular reports to senior management. The process of monitoring compliance is split into three phases:
- regulatory analysis;
- compliance risk assessment;
- monitoring and testing.

Monitoring and testing entails ongoing second-level compliance controls for the determination and reporting of precautionary action with a follow-up audit to assure that weaknesses have been eliminated.

The Compliance function regularly reports to corporate bodies and business units responsible for assuring compliance.
The Anti-Money Laundering function is engaged in regulatory analyses, risk assessment and second-level controls of activities exposed to money-laundering and the financing of terrorism whereas the Money-Laundering Reporting function is responsible for evaluating suspect transactions referred to it by the distribution network and assessing the need to report them to the Financial Reporting Unit.
Corporate controls over BancoPosta's operations determine specific responsibility for the implementation of line, or first-level, controls. IT controls are of particular importance in this regard.

11.2.2 RISK MANAGEMENT SYSTEM

Risks and controls

When BancoPosta was initially ring-fenced, capital was legally unbundled from Poste Italiane to meet prudential regulatory requirements, creating capital for capital adequacy purposes and for the protection of creditors.
The clear identification of risks, to which BancoPosta could be potentially exposed, is a necessary condition for the conscious assumption and management of risk.
The General Operating Guidelines, as implemented through internal operating guidelines, require the development and annual revision of a risk map showing all risks inherent in BancoPosta's operations by product and service. In the event of a loss, the risk map is used to determine responsibility and losses are deducted from transfer payments to the relevant function.
Operating losses attributable to factors not included in the risk map are investigated and responsibility determined jointly by BancoPosta and the function concerned. In the event of disagreement, the matter is referred to BancoPosta's Cross-functional Committee.
Notwithstanding the pending introduction[46] of new prudential requirements for BancoPosta RFC, existing supervisory authority risk classifications based on the types of risk, to which BancoPosta RFC is typically exposed in the normal course of business, 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. The work of the Risk Management function relating both to minimum capital (first pillar) and evaluation of capital adequacy (second pillar) was devised in preparation for BancoPosta becoming subject to Basel prudential requirements. In particular, in 2013 the process of formalising the policies governing BancoPosta RFC's principal significant risks was substantially completed, with approval, by the Board of Directors, of the documents relating to the ICAAP[47] and the management of liquidity risk. In addition, a new ICAAP Report was prepared, again on an experimental basis (given the absence of regulatory requirements), with a view to pre-

46. The prudential supervisory instructions for BancoPosta are currently the subject of a public consultation on the Bank of Italy's website. The consultation is open until 28 April 2014.
47. "ICAAP" or an Internal Capital Adequacy Assessment Process relates to self-assessment and the adequacy of capital to absorb risk. This process, together with the Supervisory Review Process or "SREP", represents the "second pillar" in Basle II.

senting the process used to assess capital adequacy, the tools available and the figures as at the date of 31 December 2012, combined with projections and scenario analyses. The document was provided to the Bank of Italy after its submission to the Cross-functional Committee and approval by the Board of Directors.
An *ex ante* analytical simulation of the evolution of operational and market risk, as foreseen by the Plan, was performed as part of the determination of 2014-2016 guidelines. This meant that the minimum future capital adequacy could be determined for quarterly monitoring.

The most important risk category for first pillar capital charges is operational risk, above all if measured using the Basic Indicator ("BIA") or the Standardised Approaches ("TSA"), since minimum supervisory capital is computed by applying fixed regulatory capital ratios[48] to total interest and fee income (before operating costs) which, for BancoPosta, exceeds five billion euros a year. Capital charges for credit, counterparty and foreign exchange risks are lower.
In addition to the risks listed above, interest rate risk, arising as a result of mismatched interest rate periods for assets (predominantly government bonds and funds held at the Ministry of the Economy and Finance) and liabilities (retail customer and Public Sector postal current accounts), is of importance for second pillar purposes.

BancoPosta's business is, by its nature, exposed to elements of reputational risk, associated mainly with the distribution of investment products of other institutions such as investment funds, index-linked bonds and insurance policies issued by Poste Vita SpA. In this respect, in July 2008, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), Poste Italiane adopted the "consulting service" model.

In terms of the evolution of significant risks, the year was characterised by a major relaxation of the tensions seen in the past two years, regarding the market value of Italian government securities.
In particular, aside from the weeks of uncertainty immediately following the general election of February, the yields on Italian government securities continued to decline in 2013, resulting in gains on the measurement of the securities held by the Group. These were partly recognised in profit or loss, as a result of the policy of reducing asset maturities.
This strategy was devised in accordance with changes in the model used to estimate the effective term of current account deposits, introduced in consequence of a Bank of Italy inspection, and brought about a reduction in the maximum assumed maturity of deposits from private customers from 30 to 20 years.

Poste Italiane SpA's financial statements, "7. BancoPosta RFC, Separate Report for the year ended 31 December 2013", set out the details of the various areas of risk and the methods used for their measurement and prevention.

48. There is only one ratio for the BIA which is 15%. Three ratios, 12%, 15% and 18%, are used for the TSA depending on the nature of business generating the income.

11.3 BANCOPOSTA RFC FINANCIAL REVIEW

Key income indicators[*]	2012	2013
ROA[1]	0.66%	0.70%
ROE[2]	27%	23%
Net interest income/Net interest and other banking income[3]	29%	28%
Operating expenses/Net interest and other banking income[4]	89%	88%

[*] 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

Income/(Expense)			Increase/(Decrease)	
for the year ended 31 December (€m)	2012	2013	Amount	%
Net interest income	1,501	1,524	23	1.5
Net fee and commission income	3,498	3,519	21	0.6
Net interest and other banking income	5,152	5,353	201	3.9
Net income from banking activities	5,151	5,344	193	3.7
Operating expenses	(4,604)	(4,717)	(113)	2.5
Income/(Loss) before tax from continuing operations	547	627	80	14.6
Income/(Loss) after tax from continuing operations	343	374	31	9.0
Profit/(Loss) for the year	**343**	**374**	**31**	**9.0**

Despite the market environment remaining difficult, the positive operating performance for the year resulted in a profit of €374 million (a profit of €343 million for 2012).
Taking a closer look, net interest income of €1,524 million (€1,501 million in 2012) is the difference between:
- interest earned on investments in government securities and deposits at the Ministry of the Economy and Finance, amounting to €1,751 million (€1,783 million in 2012);
- interest expense of €227 million (€282 million in the previous year), including €185 million paid to current account holders (€229 million in 2012) and €42 million (€53 million in 2012) 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, as advertised in 2012, 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 fell from 3.90% at 31 December 2012 to 2.61% at 31 December 2013), resulting in an improvement in net interest income.

Net fee and commission income is up €21 million (€3,519 million in 2013, compared with €3,498 million in 2012), benefitting from an increase in fee and commission income from €3,541 million in 2012 to €3,564 million in 2013. This includes €1,620 million regarding operations covered by the agreement with Cassa Depositi e Prestiti (€1,649 million in 2012), €1,152 million for bill collection and various payment services (€1,159 million in 2012) and €792 million (€733 million in 2012) for other customer services, including account maintenance fees.

Fees and commissions paid amount to €45 million (in line with the €44 million of the previous year), most of which relates to debit/credit card clearing services.

Banking income for the year is up €201 million (€5,353 million in 2013, compared with €5,152 million in 2012). In addition to the improvements in net interest income and net fee and commission income, this reflects gains on disposal of available-for-sale financial assets (€287 million in 2013, compared with €50 million in 2012), partially reflecting adjustment of the maturity profile of investments in line with the review of the parameters used to model the maturities of current account deposits.

Net income from banking activities of €5,344 million (€5,151 million in 2012) is after loan impairments of €9 million, primarily including impairments on current account overdrafts.

OPERATING COSTS

Operating costs			Increase/(Decrease)	
for the year ended 31 December (€m)	2012	2013	Amount	%
Administrative expenses:	4,585	4,615	30	0.7
a) Personnel expenses	*80*	*88*	*8*	*10.0*
b) Other administrative expenses	*4,505*	*4,527*	*22*	*0.5*
Net provisions for risks and charges	2	82	80	n/s
Other operating income/(expense)	17	20	3	17.6
Total operating costs	**4,604**	**4,717**	**113**	**2.5**

n/s: not significant

Operating costs are up 2.5% from €4,604 million in 2012 to €4,717 million in 2013, primarily reflecting an increase in net provisions for non-recurring expenses (€61 million). These provisions cover the 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. Net provisions also include €21 million in provisions to cover potential liabilities resulting from various forms of litigation with third parties.

Other administrative expenses are also up (€4,527 million in 2013, compared with €4,505 million in 2012). This amount includes €4,424 million relating to 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.

Personnel expenses of €88 million (€80 million in 2012) are for BancoPosta employees, as shown in the table below. As part of its operations and in accordance with the General and attached Internal Operating Guidelines, BancoPosta is, however, the recipient of services provided by Poste Italiane functions, particularly post office and Contact Centre personnel.

BANCOPOSTA EMPLOYEES

	Average number of employees(*)	
Category	2012	2013
Executives	45	46
Middle managers - A1, A2	388	416
Levels B, C, D, E, F	1,324	1,320
Total permanent employees	**1,757**	**1,782**

(*) Expressed in full-time equivalent terms

11.3.2 ASSETS, LIABILITIES AND CASH FLOW

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Assets (€m)	At 31 December 2012	At 31 December 2013
Cash and cash equivalents	3,181	3,078
Financial assets held for trading	-	
Available-for-sale financial assets	22,456	24,421
Held-to-maturity financial assets	14,048	15,221
Due from banks	527	376
Due from customers	9,887	8,356
Hedging derivatives	12	32
Tax assets	460	271
Other assets	1,237	1,350
Total assets	**51,808**	**53,105**

Liabilities and equity (€m)	At 31 December 2012	At 31 December 2013
Due to banks	3,484	3,484
Due to customers	43,462	43,998
Hedging derivatives	816	471
Tax liabilities	320	439
Other liabilities	1,900	1,870
Employee termination benefits	19	18
Provisions for risks and charges	282	348
Total liabilities	50,283	50,628
Equity	**1,525**	**2,477**
of which:		
Initial reserve	*1,000*	*1,000*
Retained earnings	*256*	*599*
Valuation reserves	*(74)*	*504*
Profit for the year	*343*	*374*
Total liabilities and equity	**51,808**	**53,105**

The reclassified statement of financial position at 31 December 2013 shows cash and cash equivalents of €3,078 million (€3,181 million at 31 December 2012), which includes €2,604 million (€2,487 million at 31 December 2012) 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 the 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 €474 million, which is €694 million down on 31 December 2012, due to increased demand deposits at the Bank of Italy as a result of considerable inflows from the interbank market in the final days of 2012.

Current account deposits by Public Sector entities are required to be deposited with the MEF. Such amounts are remunerated at a variable interest rate, as expressly set out in the agreement of 8 May 2009 for the provision of treasury services to BancoPosta, as amended by addenda. The most recent addendum was signed in March 2013, extending the term of the agreement to 31 December 2013.
The 2007 Budget Law, on the other hand, requires that private customer deposits in postal current accounts be invested in euro zone government securities.
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) rate.
The increase in direct private customer deposits (see the following section headed "BancoPosta's Operations for the Period") led to increased securities holdings and a concomitant rise in available-for-sale and held-to-maturity financial assets, amounting to €24,421 million (up €1,965 million on 31 December 2012) and €15,221 million (up €1,173 million on 2012), respectively. Available-for-sale financial assets almost entirely consist of Italian government securities, with small holdings in Mastercard and VISA shares; held-to-maturity financial assets, on the other hand, consist of fixed payment or fixed maturity debt securities.
Both aggregates were affected during the year by purchases and sales made to adjust maturities, as required by the Bank of Italy, in line with the changed behavioural patterns regarding current account deposits.
Due from customers was down 15.5% (€8,356 million at the end of 2013, after €9,887 million at the end of 2012) due to lower Public Sector current account and Buffer account balances.
Due to banks amounted to €3,484 million, in line with 2012, and primarily consists of repurchase agreements of €3,193 million (€3,042 million at 31 December 2012) in connection with the three-year financing granted in February 2012 by Banca IMI SpA, on which REFI plus a spread negotiated with the counterparty is charged.
The increase in the net amount due to customers (up €536 million on 31 December 2012) was basically a result of the increase in current account balances (€40,081 million after €38,780 million at 31 December 2012), which was partially offset by the reduction in repurchase agreements outstanding (€1,730 million, compared with €2,524 million at 31 December 2012). This reflects the first repayment of the financing granted in February 2012 by Cassa Depositi e Prestiti, on which interest of REFI plus a spread was charged.
Real estate services (e.g., use and management of office space for BancoPosta's operations) and technology (e.g., design and implementation of new services, management and maintenance of operations and business software) are provided to BancoPosta by Poste Italiane SpA. In 2013 this entailed capital expenditure on technology upgrades and the expansion of storage devices in order to assure the continuity of financial services as part of business continuity and disaster recovery precautions, in addition to the upgrade of ATM systems to assure that the services are efficient and fit for purpose.
The provision of these services is regulated by internal operating guidelines and remunerated through the payment by BancoPosta of transfer prices to Poste Italiane.
BancoPosta RFC's equity at 31 December 2013 amounts to €2,477 million (€1,525 million at 31 December 2012) and, in addition to the initial reserve of €1 billion, includes retained earnings of €599 million, valuation reserves of €504 million and profit for the year of €374 million.

11.4 BANCOPOSTA'S OPERATIONS FOR THE PERIOD

REGULATORY ENVIRONMENT

Regulations governing BancoPosta RFC were revised in 2013 in accordance with the (PSD - Payment Services Directive), in implementation of European Parliament and Council Regulation 260/2012 and the related instructions issued by the Bank of Italy in the form of the February 2013 Order. The regulations were revised in order to establish the criteria and methods of the migration of bank transfers and direct debits to SEPA standards, which was completed in February 2014. Poste Italiane has, in that connection, revised its master agreements on current account payment services and current account agreements, and has also developed IT procedures and training for the revised regulatory requirements.
Work also began in 2013 on a study examining the feasibility of applying the EMIR (European Market Infrastructure Regulation), approved by the European Parliament on 29 March 2012, to BancoPosta. This Regulation has introduced new rules for OTC (over the counter) derivatives, with the aim of increasing market transparency and reducing systemic risk through the concentration of transactions with centralised counterparties.
Following the issuance of Law Decree 179 of 18 October 2012, having regard to further urgent measures for Italy's growth (converted by Law 221 of 17 December 2012), BancoPosta's activities now include the off-site promotion, distribution and provision of banking and financial products and services. In this sense, the Company has started work on the development of an off-site offering of investment and insurance services for retail customers.
With regard to investment services, work has continued on consolidating and further developing the service model regulated by the Markets in Financial Instruments Directive (MiFID). Work in this regard is of great importance, including additional assessment of the suitability of investments, implementation of the procedure for classifying customers (retail, professional, eligible counterparties), partly in view of the planned extension of advice services to legal persons with specific products and services targeting "professional" customers.

In order to assure Group-wide observance of the principle of transparent transactions, as well as banking and financial services and the propriety of relations between brokers and customers, additions were made to certain publicity and pre-contract information sheets, internal procedures were strengthened and the content and the training of retail network personnel was expanded. Steps have also been taken to assure the effective processing of customer complaints, in part to ensure that they are consistent with the Banking and Financial Ombudsman's guidelines.

Processes and controls were strengthened in 2013 in all areas susceptible to money laundering (satisfactory verification, recording of transactions in a Single Digital File, reports of potentially suspect transactions) and terrorism as part of a structured review of the system on which information will be gradually made available.
In particular, work began on analysing the changes to be made to processes and IT systems in order to comply with the Bank of Italy order of 3 April 2013 (containing provisions governing the implementation of appropriate customer checks, pursuant to art. 7, paragraph 2 of Legislative Decree 231 of 21 November 2007), which became effective on 1 January 2014. The above Decree primarily refers to the principle "of a risk-based approach", under which the intensity and extension of the obligation to conduct appropriate customer checks may vary in accordance with the degree of risk of money laundering and financing of terrorism. This approach represents application of the wider principle of proportionality; it aims to maximise the effectiveness of the Group's controls, rationalise the use of resources and reduce the costs incurred by those involved.

RELATIONS WITH THE AUTHORITIES

Bank of Italy

Work continued in 2013 on the revision and strengthening of organisational, procedural and IT controls in order to correct the weaknesses found by the 2012 audit conducted by the External Relations and General Affairs Department of the Bank of Italy's Supervisory Area.

The areas reviewed included, among others, anti-money-laundering, the transparency of contractual terms and conditions and fair trade issues. Audit findings were notified to the Company in a letter dated 18 December 2012. The Company submitted its own considerations to the Bank of Italy, in reply to this letter, on 13 March 2013.

CONSOB

The CONSOB commenced an investment services audit in April, pursuant to art. 10, paragraph 1 of Legislative Decree 58/1998, which is still under way.

PROCEEDINGS PENDING

AGCM (the Antitrust Authority)

On 5 November 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.

COMMERCIAL OFFERING

BancoPosta RFC's commercial offering in 2013 was focused on cross-selling and attracting new current account deposits. This was accomplished through promotions tailored to the needs of individual customer target segments and the development and monitoring of the postal savings market, in addition to increased penetration of the loan market.
In the private current account segment, the *Conto BancoPosta Più* was restyled, as part of the expansion of the range of products, and annual account fees have been waived.
In order to keep deposits attracted in 2012, *Promo 4%* customers were given the option to take part in two new promotions entailing payment of a rate of 3% gross to 30 June 2013 and 2.50% gross to 30 September 2013. In addition the 2% gross rate for *Conto BancoPosta Click* was confirmed again for 2013.
Furthermore, in response to demand by customers preferring online financial services, *Conto BancoPosta Click* was launched in December 2013, with digital signature capability and "*App Conto BancoPosta*" was developed. It provides direct access from a smartphone or tablet to *BancoPosta Click*, *BancoPosta* and *BancoPosta Più* information services.
In response to market trends and the resulting increase in demand, a number of promotions were launched for SMEs, differentiated by customer segment. This included the development of new bundles as part of the *Selezione Impresa* promotion for practicing professionals that links accounts, remote banking, loan products or account and mobile/POS, and for property managers linking accounts, bills and dedicated insurance products. A bundle was developed outside the *Selezione Impresa* promotion for professionals, sole traders and migrating customers linking accounts, remote banking and loan products.
The electronic money sector, in which the Group is present with its Postamat Maestro card (6.8 million cards at December 2013, compared with 6.6 million cards at 31 December 2012) and Postepay card (10.5 million cards at December 2013, compared with 9.6 million cards at 31 December 2012), saw the expansion of contactless debit card technology to Postamat Maestro and Postapay Standard cards in Lombardy and Lazio, in addition to the introduction of incentives in conjunction with Mastercard for using Paypass. Distribution of the *Postepay EnelMia* multi-application was started during the year, together with Enel Energia.
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, as well as

the SNAI and other authorised networks, boosted the product's competitive positioning and leadership, thus guaranteeing widespread availability of the top-up service. Around 21.6 million top-ups were made via external networks in 2013 (18 million in 2012).
Finally, in connection with the *La Carta dello Studente - IoStudio* promotion sponsored by the Ministry of Education, Universities and Research (MIUR), Poste Italiane, in association with Postecom and PosteMobile, was awarded a contract in 2013 for a five-year project regarding an advanced co-branded card to be distributed to all students enrolled in participating secondary schools and universities. Students are given an electronic ID card permitting them to take advantage of MIUR discounts for social and cultural activities. As well as serving as student ID and enabling them to benefit from MIUR's services, the card will incorporate a number of Postepay functions, including a discount scheme, based on the *Sconti BancoPosta* initiative. BancoPosta has also continued to support the development of the Postepay card once again sponsoring Postepay Rock in Rome, a major musical event in Italy.

Various steps were taken in the collections and payments segment to revitalise the payment slip method of paying bills. This included the use of payment slips in supermarkets. A publicity campaign was also held together with Banca ITB to promote the use of authorised tobacconists for the payment of bills (23.5 million bills paid during the year).
The Group has entered into an agreement with ACI which, thanks to real-time connections with the tax records of all regional and provincial authorities, enables motorists to pay road tax online or at post offices and through all of Poste Italiane's other channels (internet, mobile and third-party networks). The service was in operation in most Italian regions at 31 December 2013.
One of the POS acquiring services[49] for SMEs introduced in November was the Mobile POS. This makes it possible for authorised shops to use a smartphone or tablet to manage credit and debit card payments by using a special app and a bluetooth card reader.
Cash withdrawals from Postamat ATMs were originally introduced for the Chinese Union Pay card network, but have now been extended to withdrawals and payments using PagoBancomat cards.
There were a few changes in 2013 to the promotional campaigns for loan products, specifically:
- the online loan service was improved through the use of digital signatures, thus eliminating all paperwork;
- *Prontissimo BancoPosta* was restyled by increasing the maximum, permitting longer maturities and introducing risk based pricing. The option of taking out a credit protection insurance policy at the same time as applying for a loan has also been added;
- loans may now be arranged at any post office to buy products sold at Posteshops;
- all post offices have now been authorised to grant personal loans (over 9 thousand). The micro loan, *Specialcash Postepay*, developed together with Compass SpA, has now been made available to all Postepay named and prepaid card holders.

In addition, in line with the Group's long-standing commitment to helping households in difficulty, residents in areas hit by flooding, such as Tuscany and Umbria, were given the option of a mortgage repayment holiday and access to the Italian Bankers' Association's "*Piano famiglie*" (an agreement granting mortgage repayment holidays). Finally, the process of offering Bancoposta borrowers access to financial assistance for households in difficulty was reintroduced.
Again with regard to loan products, the *Quinto BancoPosta* salary loan offering was further expanded, with the loans now available to local government employees and Carabinieri from April, in addition to central government employees. The three categories of customer have been offered promotional rates at the 3,700 post offices equipped with consulting rooms until 30 June 2013. The partner for the provision of payday loans for pensioners was replaced by BNL Finance.
With regard to the distribution of Postal Savings products, the range of products offered by Cassa Depositi e Prestiti (Postal Savings Books and Interest-bearing Postal Certificates) was subject to a thoroughgoing review in 2013. The weak economy, falling interest rates and increasingly aggressive competition have made it necessary to restructure the range to better respond to savers' needs.

49. Acquiring services refer to the processing of Maestro, MasterCard, Visa Electron, VPAY and Visa card payments for goods purchased using a POS terminal.

Six new types of Interest-bearing Postal Certificate have been developed:
a) BFPFedeltà – initial final maturity of up to 12 years, later changed to three years, fixed rate – for holders of Postal Certificates with scheduled maturities in 2013;
b) BFPRenditalia, maximum five-year maturity (later changed to three years) and an interest rate indexed to 6-month BOT auctions plus a spread;
c) BFPImpresa, maximum 20-month maturity fixed rate, for SMEs;
d) BFPEuropa, maximum 5-year maturity, fixed rate + index-linked, suitable for sophisticated customers desiring to link their investment returns to stock market performance;
e) BFPRisparmiNuovi, 3-year maturity, for savers desiring to top up their investments;
f) BFPEredità Sicura, 2-year maturity for the reinvestment of legacies.

The gross proceeds of certificates issued in 2013 amounted to approximately €10 billion.

Turning to Savings Books, in order to conserve the inflows recorded in 2012 and attract new deposits, the *Libretto Nominativo Ordinario Smart* product was launched. This offers a highly competitive interest rate (3% or 2.5%, gross, depending on term) paid to qualifying customers (e.g., those who maintained a certain minimum balance on their account in 2013 or who pay in monthly). Holders of a Smart book can use Poste Italiane's website via the RPOL service, enabling them to see a list of the latest movements, the account balance and the situation of Certificates linked to the book. The RPOL service is also associated with a free Postal Savings app for use on smartphones and tablets.
There was a high number of new *Libretto Smart* savings books issued, totalling almost 789 thousand; approximately €19 billion was held in these accounts at 31 December 2013.

Investment services included the issuance of three bonds by Banca IMI with six-year maturities, exclusively for new account holders.
- *BancoPosta Mixed Rate Cap & Floor*, for customers expecting medium to long-term interest rates to rise annual fixed rate interest for two years and then half-yearly floating rate interest payments for four years linked to six-month EURIBOR plus a fixed spread subject to a cap and a floor.
- *BancoPosta Fixed Rate Sprint* and *BancoPosta Fixed Rate Sprint* - Series 2, both of which paying interest annually over their term with significantly higher coupons forthe first and last years of their term.

Bonds totalling €589 million were placed.
Finally, an offer to buy back four bonds originally placed by Poste in 2009 was made by their respective issuers, Credit Suisse, Barclays and Mediobanca. The nominal value of the bonds held by customers accepting the four offers was approximately €190 million.

With regard to payment systems, steps were taken to develop and consolidate International Money Transfer correspondent banks in order to expand international geographic coverage and improve the presence on the remittances market. This included the introduction of bilateral Eurogiro funds transfers with the San Marino post office. Finally, an international agreement was signed with China Post (PSBC) for Eurogiro funds transfers, in addition to a contract for the renewal of MoneyGram to March 2017 and a Eurogiro agreement with Ericsson for a Eurogiro cash to mobile wallet for transfers to the Philippines.

Online services

Online home and corporate banking services linked to the *BancoPosta* and *Conto BancoPosta Click* accounts continued to see growth in 2013, with over 1.5 million online consumer accounts (1.3 million active consumer accounts at the end of 2012) and approximately 250 thousand business and Public Sector customer accounts (239 thousand at the end of 2012). Customers generated over 21 million transactions (in line with 2012).
Of the classic internet banking services offered, the *Bollettino* is the most successful, with approximately 5.2 million bills paid online (5.6 million in 2012) by direct debit to current accounts or by Postepay or credit card. This included more than 800 thousand bills paid via the BancoPosta Click channel. The *Bollettino Report Gold* was also issued in October. This is

an additional BPIOL service for their remote banking customers for the online access to Poste Italiane archives, in order to view and export data and images of bills paid, going back ten years. This eliminates the need to keep hard copies.
The volumes of other types of payment were also sound:

- 3.5 million online bank transfers (2.9 million in 2012), including over 900 thousand using the BancoPosta Click channel (around 640 thousand in 2012);
- 4.1 million telephone top-ups (4.6 million in 2012);
- 5.1 million Postepay top-ups (5 million in 2012);
- 1.5 million post office giro transactions (in line with 2012).

Furthermore, in the financial products online sales segment, there were approximately 68 thousand online subscriptions to Interest-bearing Postal Certificates (65 thousand in 2012) whereas there were over 2,900 online loan disbursements (in line with 2012).

Certificates continued to be placed exclusively in 2013 through the BancoPosta online trading platform. Nine certificates were placed issued by Banca IMI, UBS AG, UniCredit Bank AG, BNP Paribas, SG Issuers SA, Deutsche Bank AG, and Credit Suisse AG.
Poste Italiane also participated in a consortium for the placement of publicly offered Moncler SpA shares through its online trading platform and provided its customers with the ability to subscribe to two new Italian BTP issues.
The online trading platform was also used by Poste Italiane customers to trade over 10 thousand Italian and international financial instruments in the form of shares, bonds, government securities, ETFs, certificates and covered warrants listed on Borsa Italiana or EuroTlx.

OPERATING RESULTS

BANCOPOSTA

Revenue (€m) for the year ended 31 December	2012	2013	% inc./(dec.)
Current Accounts	**2,924**	**2,931**	**0.2**
Payment of bills by payment slip	573	567	(1.0)
Income from investment of customer deposits	1,773	1,753	(1.1)
Other revenue from current accounts and prepaid cards(*)	578	611	5.7
Money transfers(*)	**64**	**63**	**(1.6)**
Postal savings and investment	**1,959**	**2,004**	**2.3**
Postal Savings Books and Certificates	1,649	1,620	(1.8)
Government securities	10	8	(20.0)
Equities and bonds	35	14	(60.0)
Insurance policies	233	329	41.2
Investment funds	13	17	30.8
Securities Deposits	19	16	(15.8)
Delegated Services	**153**	**130**	**(15.0)**
Loan products	**156**	**127**	**(18.6)**
Other products(**)	**63**	**71**	**12.7**
Total revenue from financial services	**5,319**	**5,326**	**0.1**
Reconciliation with BancoPosta's Separate Report(***)	**5**	**(11)**	**n/s**
BancoPosta RFC's fee and commission income	**5,324**	**5,315**	**(0.2)**

n/s: not significant
(*) 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 (€m) for the year ended 31 December	2012	2013	% inc./(dec.)
Current accounts(*)	**41,452**	**43,903**	**5.9**
Postal Savings Books(**)	**98,778**	**106,920**	**8.2**
Interest-bearing Postal Certificates(**)	**213,270**	**211,707**	**(0.7)**

(*) Average for the year. 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) for the year ended 31 December	2012	2013	% inc./(dec.)
Payment slips processed	**480,718**	**457,612**	**(4.8)**
Domestic postal orders	**6,375**	**5,830**	**(8.5)**
International postal orders	**2,858**	**2,642**	**(7.6)**
Inbound	*1,605*	*1,460*	*(9.0)*
Outbound	*1,253*	*1,182*	*(5.7)*
Pensions and other standing orders	**80,761**	**77,865**	**(3.6)**
Tax services (F23/F24 forms)	**23,846**	**29,361**	**23.1**

Volumes ('000) for the year ended 31 December	2012	2013	% inc./(dec.)
Number of customer current accounts	**5,883**	**6,023**	**2.4**
Number of credit cards	**460**	**459**	**(0.2)**
Number of debit cards	**6,623**	**6,756**	**2.0**
Number of prepaid cards	**9,559**	**10,550**	**10.4**

The operating results of BancoPosta RFC's financial services generally improved by 0.2%, primarily attributable to asset and fund management revenue[50], which increased from €310 million in 2012 to €384 million in 2013 (up 23.9%), and the sound performance of current account revenue that were up 0.2% on 2012.

In detail, current account revenue increased €7 million (€2,924 million in 2012 versus €2,931 million in 2013), due to the strong performance of other revenue from current accounts and prepaid cards, which was up 5.7% (€611 million in 2013 versus €578 million in 2012), in addition to benefiting from the increase in fee revenue on the issue and use of prepaid cards (€10.6 million in 2013 versus €9.6 million in 2012), as well as the combined effect of the increased volume of bank transfers (8.1 million in 2013 versus 7.2 million in 2012) and the repricing of cheque books and counter transfers from 1 January 2013.

Revenue from the payment of bills by payment slip is down 1% or €6 million on last year, as a result of a 4.8% reduction in the number of bills paid (458 million in 2013 versus 481 million in 2012).

Notwithstanding the €2.4 billion increase in current account balances, interest paid on deposits was down 1.1% or €20 million on last year, due to the reduction in the interest rate paid on deposits.

There was a 1.6% decrease in money transfer revenue (€63 million in 2013 versus €64 million in 2012), primarily as a result of the fall in the volume of domestic postal orders processed (5.8 million in 2013 versus 6.4 million in 2012) and the number of international transfers (2.6 million in 2013 versus 2.9 million in 2012).

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 €1,620 million to BancoPosta's service revenue (€1,649 million in 2012). In terms of assets under management, savings book deposits amount to €106.9 billion at 31 December 2013 (€98.8 billion in 2012), whilst savings in the form of Certificates amount to €211.7 billion (€213.3 billion in 2012).

As explained above, asset and fund management revenue increased 23.9%, essentially as a result of the strong performance of insurance policy distribution revenues, up 41.2% from €233 million in 2012 to €329 million for 2013 as a result of the 25% increase in premiums written (€13.2 billion in 2013 versus €10.5 billion in 2012) and finally the contribution of the funds segment's commission income, up from €13 million in 2012 to €17 million in 2013.

Equity and bond placement revenue is down 60% on 2012 (€14 million in 2013 versus €35 million in 2012) due to the fall in volumes placed (€589 million in 2013 versus €1.2 billion in 2012).

Delegated service revenue amounts to €136 million (€153 million in 2012) and includes INPS (National Social Insurance Institute) payment service commissions of €63 million (€82 million in 2012) and the payment of pensions and other sums for the Ministry of the Economy and Finance, totalling €57.2 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.

50. Asset and fund management includes the distribution of government securities, equities, bonds, life assurance policies, mutual investment funds and commissions on safe custody accounts.

Revenue from the distribution of loan products[51] was down 18.6% to €127 million in 2013 versus €156 million for 2012, primarily due to reduced demand, which is still weak because of economic conditions.
There was a €73 million reduction in mortgage loan disbursements in 2013 to €231 million from €304 million in 2012 and a €36 million decrease in disbursements of other loans from €1,263 in 2012 to €1,227 for 2013, resulting in revenue decreases of €11 million and €13 million, respectively.
The 12.7% increase in revenue from other products is primarily caused by the increase in the number of tax payments processed using the F24 form (27 million in 2013 versus 22 million in 2012), due to the introduction of the new Refuse Collection and Services Tax (TARES).

51. Personal loans, mortgage loans, overdrafts, salary loans and credit protection.

11.5. BANCOPOSTA RFC EVENTS AFTER 31 DECEMBER 2013

No events of significance occurred after 31 December 2013.
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 BANCOPOSTA RFC OUTLOOK

BancoPosta RFC financial services in the private and business current account segment will see initiatives aimed at increasing the value generated and perceived by customers through differentiation of the service model, simplification of the offering, and innovation of services. Furthermore, as required by EU directives, the interbank transferability of current accounts within Europe is being developed.
In order to structurally consolidate current account deposit taking, a new *Opzione SorpRende* service was introduced in December 2013, which will retain deposits from January 2014 by a step up of the standard interest rate paid on current account balances. The scope of the service will also be expanded to include SME and business customers.
The range of services offered to business customers will be further developed through the introduction of a new type of current account, *BancoPosta In Proprio*, which will reward certain types of account movements.
The payment card sector will see the start – in collaboration with international issuers – of a project in 2014 to launch a "Postamat Premium" debit card for retail and business current account holders with more advanced requirements. The main services offered will enable customers to carry out online transactions, have higher spending limits, request issue of a card at post offices in real time, and change their PIN number.
A new Dynamic Currency Conversion product will be introduced for international customers using ATM Postamat in order to further develop the use of payment instruments. Customers will be able to withdraw cash in currencies other than the euro after having been advised of the rate of exchange to be applied.
With regard to loans for SMEs and freelance professionals, the range of products will be further extended with the launch of a medium/long-term loan aimed at partnerships and companies, and a motor vehicle leasing product to be promoted nationwide. Online applications for *Prontissimo Affari* and *Fido Affari* loans will also be developed.
New international money transfer services will be introduced in combination with strategic partners, including the introduction in 2014 of Eurogiro services with China Post, Russia Post and Poste Vaticane.
There will be a product analysis and conceptualisation performed in the Postal Savings area in order to improve product segmentation for various types of customer, in addition to the development of a dedicated website.
New versions of *Libretto Smart* will be issued, entitling holders to bonus interest rates under certain conditions until the end of 2014. It will also, for instance, be possible to transfer funds from bank current accounts and carry out certain transactions that previously could only be carried out in post offices, or using a smartphone or tablet, will become available online and at ATMs, such as cash transfers from and to postal current and savings accounts.
In the Interest-bearing Postal Certificates segment, it is intended to open Savings Plans to other types of Certificate. This will also include savings plans for children, which were introduced in 2008.
A new agreement will be drawn up between Poste Italiane and Cassa Depositi e Prestiti governing the management and distribution of Postal Savings products.
Poste will take steps in 2014 to support small to medium sized companies that intend to finance their operations through the new loan instruments, i.e., the so-called mini bonds, introduced by Law Decree 83/2012.

11.7 BANCOPOSTA RFC OTHER 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 2013, Part H of the notes).

Supplementary statement showing BancoPosta RFC

Poste Italiane SpA's financial statements include supplementary statement showing BancoPosta RFC in compliance with art. 2, paragraph 17-*undecies* of Law 10 converting Law 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 2013, 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 2013, 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 profit for the year of €708,088,139 as follows:
  a) €374,030,213 in profit attributable to BancoPosta RFC's net profit for the year as follows:
     a. €200,000,000 to retained earnings attributable to BancoPosta RFC;
     b. €174,030,213 in accordance with the resolutions to be adopted by the General Meeting;
  b) the remaining €334,057,926 in accordance with the resolutions to be adopted by the General Meeting.

The Board authorises the Chairman and CEO, acting jointly or severally, to make any necessary insubstantial changes and additions to the above proposals.

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)	2012	2013	Amount	%
Revenue from sales and services	278,407	237,209	(41,198)	(14.8)
Operating profit/(loss)	11,031	8,643	(2,388)	(21.6)
Profit/(Loss) for the period	6,027	4,320	(1,707)	(28.3)
Investment	15,294	13,087	(2,207)	(14.4)
Equity	129,825	135,815	5,990	4.6
Permanent workforce - end of period	1,089	1,078	(11)	(1.0)
Flexible workforce - average	70	22	(48)	(68.6)

(*) In 2013 Postel SpA absorbed Docutel Communication Service SpA with effect for accounting and tax purposes from 1 January 2013.
The company employed on average 1 person seconded from the Parent Company (1 in 2012).

PostelPrint SpA

			Increase/(Decrease)	
(€000)	2012	2013	Amount	%
Revenue from sales and services	114,680	116,759	2,079	1.8
Operating profit/(loss)	1,680	1,932	252	15.0
Profit/(Loss) for the period	1,073	1,861	788	73.4
Investment	271	411	140	51.7
Equity	36,909	38,833	1,924	5.2
Permanent workforce - end of period	226	226	-	n/s
Flexible workforce - average	-	3	3	n/s

The company employed seconded from the Parent Company (0.3 on average in 2012).
n/s: not significant

SDA Express Courier SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	451,854	477,521	25,667	5.7
Operating profit/(loss)	(64,415)	(27,316)	37,099	(57.6)
Profit/(Loss) for the period	(50,470)	(20,445)	30,025	(59.5)
Investment	4,379	2,870	(1,509)	(34.5)
Equity	(6,820)	23,236	30,056	n/s
Permanent workforce - end of period	1,402	1,396	(6)	(0.4)
Flexible workforce - average	35	99	64	n/s

The company employed seconded from the Parent Company (0.5 on average in 2012).
n/s: not significant

Italia Logistica Srl

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	83,145	67,301	(15,844)	(19.1)
Operating profit/(loss)	(397)	564	961	n/s
Profit/(Loss) for the period	(1,852)	53	1,905	n/s
Investment	1,176	590	(586)	(49.8)
Equity	406	428	22	5.4
Permanent workforce - end of period	55	65	10	18.2
Flexible workforce - average	41	18	(23)	(56.1)

n/s: not significant

Poste Tutela SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	86,370	86,404	34	n/s
Operating profit/(loss)	1,654	1,677	23	1.4
Profit/(Loss) for the period	1,091	1,140	49	4.5
Investment	18	59	41	n/s
Equity	10,382	11,525	1,143	11.0
Permanent workforce - end of period	12	11	(1)	(8.3)

The company employed on average 1 person seconded from the Parent Company (1 in 2012).
n/s: not significant

Postecom SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	112,908	117,027	4,119	3.6
Operating profit/(loss)	8,417	6,139	(2,278)	(27.1)
Profit/(Loss) for the period	5,120	4,530	(590)	(11.5)
Investment	6,875	10,314	3,439	50.0
Equity	47,600	52,057	4,457	9.4
Permanent workforce - end of period	312	358	46	14.7
Flexible workforce - average	7	12	5	71.4

The company employed on average 2 people seconded from the Parent Company (8 in 2012).

Europa Gestioni Immobiliari SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	18,799	17,528	(1,271)	(6.8)
Operating profit/(loss)	701	(4,062)	(4,763)	n/s
Profit/(Loss) for the period	(498)	(3,662)	(3,164)	n/s
Investment	5,001	447	(4,554)	(91.1)
Equity	441,480	437,820	(3,660)	(0.8)
Permanent workforce - end of period	16	15	(1)	(6.3)
Flexible workforce - average	-	1	1	n/s

The company employed on average 1 person seconded from the Parent Company (0 in 2012).
n/s: not significant

PosteShop SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	33,345	28,576	(4,769)	(14.3)
Operating profit/(loss)	159	326	167	n/s
Profit/(Loss) for the period	310	46	(264)	(85.2)
Investment	879	208	(671)	(76.3)
Equity	4,756	4,851	95	2.0
Permanent workforce - end of period	43	45	2	4.7
Flexible workforce - average	3	2	(1)	(33.3)

The company employed on average 1 person seconded from the Parent Company (2 in 2012).
n/s: not significant

Mistral Air Srl

			Increase/(Decrease)	
(€000)	2012	2013	Amount	%
Revenue from sales and services	108,931	102,611	(6,320)	(5.8)
Operating profit/(loss)	(4,284)	(10,635)	(6,351)	n/s
Profit/(Loss) for the period	(8,242)	(7,429)	813	(9.9)
Investment	307	19	(288)	(93.8)
Equity	(5,949)	(3,276)	2,673	(44.9)
Permanent workforce - end of period	126	134	8	6.3
Flexible workforce - average	45	40	(5)	(11.1)

n/s: not significant

Poste Energia SpA

			Increase/(Decrease)	
(€000)	2012	2013	Amount	%
Revenue from sales and services	86,756	82,793	(3,963)	(4.6)
Operating profit/(loss)	306	295	(11)	(3.6)
Profit/(Loss) for the period	198	168	(30)	(15.2)
Investment	8	11	3	37.5
Equity	1,159	1,332	173	14.9
Permanent workforce - end of period	12	13	1	8.3

The company employed on average 1 person seconded from the Parent Company (0 in 2012).

BancoPosta Fondi SpA SGR

			Increase/(Decrease)	
(€000)	2012	2013	Amount	%
Fee income	32,847	43,723	10,876	33.1
Net fee income	18,456	25,104	6,648	36.0
Profit/(Loss) for the period	8,683	11,054	2,371	27.3
Financial assets (liquidity and securities)	86,987	98,392	11,405	13.1
Equity	84,791	95,807	11,016	13.0
Permanent workforce - end of period	49	50	1	2.0
Flexible workforce - average	-	2	2	n/s

The company employed on average 0.3 people seconded from the Parent Company (1 in 2012).
n/s: not significant

Banca del Mezzogiorno-MedioCredito Centrale SpA

(€000)	2012	2013	Increase/(Decrease) Amount	%
Net interest income	13,118	21,075	7,957	60.7
Net fee and commission income	31,632	35,448	3,816	12.1
Profit/(Loss) for the period	7,145	11,597	4,452	62.3
Financial assets	915,120	1,312,142	397,022	43.4
Equity	145,569	157,987	12,418	8.5
Permanent workforce - end of period	223	263	40	17.9
Flexible workforce - average	11	14	3	27.3

The company employed on average 1 person seconded from the Parent Company (3 in 2012).

Poste Vita SpA(*)

(€000)	2012	2013	Increase/(Decrease) Amount	%
Insurance premium revenue(**)	10,519,178	13,174,938	2,655,760	25.2
Profit/(Loss) for the period	265,485	253,692	(11,793)	(4.4)
Financial assets	58,040,626	69,569,369	11,528,743	19.9
Technical provisions for insurance business	56,729,499	67,943,338	11,213,839	19.8
Equity	2,060,082	2,711,541	651,459	31.6
Permanent workforce - end of period	227	257	30	13.2
Flexible workforce - average	11	12	1	9.1

The company employed on average 1 person seconded from the Parent Company (3 in 2012).
(*) 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.

Poste Assicura SpA(*)

(€000)	2012	2013	Increase/(Decrease) Amount	%
Insurance premium revenue(**)	47,510	67,486	19,976	42.0
Profit/(Loss) for the period	4,592	5,501	909	19.8
Financial assets	68,148	85,764	17,616	25.8
Technical provisions for insurance business	41,544	61,648	20,104	48.4
Equity	35,483	42,173	6,690	18.9
Permanent workforce - end of period	41	49	8	19.5
Flexible workforce - average	2	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)	2012	2013	Increase/(Decrease) Amount	%
Revenue from sales and services	352,008	335,903	(16,105)	(4.6)
Operating profit/(loss)	27,854	25,444	(2,410)	(8.7)
Profit/(Loss) for the period	18,088	15,755	(2,333)	(12.9)
Investment	34,468	43,395	8,927	25.9
Equity	79,100	95,415	16,315	20.6
Permanent workforce - end of period	322	328	6	1.9
Flexible workforce - average	6	16	10	n/s

The company employed on average 1 person seconded from the Parent Company (1 in 2012).
n/s: not significant

GLOSSARY

Access Point Name (APN): this enables a mobile device to be connected to the internet.

Business to Business (also B2B): trading between companies.

Business to Consumer (also B2C): online transactions between companies and final consumers.

Carry trade: a strategy in which an investor sells a certain currency with a relatively low interest rate and uses the funds to purchase a different currency yielding a higher interest rate.

Cash trapping: this involves the insertion of a device into note-dispensing slots that temporarily capture notes inside the ATM.

Cloud: this term relates to a collection of technologies that, usually in the form of a service offered to customers by a provider, enable users to memorise/store and/or process data (via a CPU or software) thanks to the use of web-based tools and applications.

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.

eGovernment (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.

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.

Malware: a term derived from the English words "malicious" and "software"; it refers to a class of programmes that expose computers to risks linked to privacy or to the functioning of the operating system. Malware circulates on the internet via contaminated e-mails or websites, exploiting the openness of computer systems in the same way or together with viruses, worms, etc.

Phishing: an attempt to criminally and fraudulently obtain confidential information by masquerading as a trustworthy entity in an electronic communication.

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).

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Poste Italiane
Financial Statements
at 31 December 2013

Contents

Consolidated and separate financial statements of Poste Italiane SpA at and for the year ended 31 December 2013

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1. INTRODUCTION

Poste Italiane SpA (the "Parent Company") originated from the conversion of the public entity, "Poste Italiane", under Resolution 244 of 18 December 1997 passed by the Interministerial Economic Planning Committee. The Company's registered office is at Viale Europa 190, Rome (Italy) and it is a wholly owned subsidiary of the Ministry of the Economy and Finance (the "MEF").

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 bondslisted on the Luxembourg Stock Exchange with a total nominal value of €800 million and a nominal value of €100,000 each.

The **Poste Italiane Group** provides a universal postal service in Italy, whilst offering integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 14,000 post offices. The Group's operations can be classified into four 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 and include the collection of all forms of public deposits, the provision of payment services, foreign currency trading, the promotion and marketing 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 2013 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. Information pertaining to topics related both to the Group and to Poste Italiane SpA is provided only once in sections relevant to both sets of statements and, unless otherwise indicated, the contents of these sections apply to both consolidated and separate financial statements. In particular, information is provided on the following topics relevant to both sets of statements:

- accounting standards, policies 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).

BancoPosta RFC's Separate Report, which forms an integral part of the Poste Italiane SpA's financial statements, but which is prepared according to the specific financial reporting rules laid down by the applicable banking regulations, is contained in separate note 7.

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING STANDARDS

The consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA (in short, the annual accounts) refer to the year ended 31 December 2013 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. 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 and 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 26 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 2012.

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.

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.

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 from non-recurring events in the normal course of business. Given the diverse nature and frequency of transactions conducted by Group companies, many items of income and expense of a non-recurring 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 material transaction.

In order to allow comparison on a like-for-like basis with amounts for the year ended 31 December 2012, certain items in the statement of cash flows and the certain notes have been reclassified.

Pursuant to art. 2447-*septies* of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included in BancoPosta's ring-fenced capital (from now on: 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 STANDARDS AND POLICIES

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 significant accounting standards and policies adopted by the Poste Italiane Group are described below.

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.
4. The tax authorities have issued systematic official interpretations for a number 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.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. The 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 borrowings costs directly attributable to the acquisition or construction of a qualifying asset, in which case the borrowings costs are capitalised as part of the cost of that asset). The 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 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 lines 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	3-10
Electronic stations	6
Light constructions	10
Equipment	5-8
Furniture and fittings	5-8
Electrical and electronic office equipment	3-10
Motor vehicles	4-10
Automobiles	4
Leasehold improvements	Estimated lease term(*)
Other assets	3-10

(*) Or the useful life of the improvement if shorter than the estimated lease term.

Property assets and the 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 rentals or for capital appreciation or both, therefore generating cash flows that are largely independent of other assets. The same accounting treatment is applied to investment property and property, plant and equipment.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, 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 the purchase or development of an intangible asset; 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 amount. The minimum attributable amount is the higher of:
- the related fair value of the asset less costs to sell, and
- the related value in use, when determinable.

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 use life and the related contract term from the date 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, which are identifiable and measurable, include the cost of staff involved in software development and an appropriate portion of the relevant overheads. Amortisation is calculated on the basis of the estimated useful life of the software, which is usually three years. Software specially developed for use in the provision of mobile telecommunications services is amortised over a period of seven 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, as estimates using the same procedures 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 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 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. When the impairment indicators no longer exist, the carrying amount of the asset is reinstated, with the exception of goodwill, 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 annually for impairment 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 for. Purchases and sales of financial instruments are recognised for each category of financial instrument 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. 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 method. If there is objective evidence of impairment, the asset is impaired to the estimated future cash flows. The resulting impairment loss is 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**

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 the reserve accounted for in "Other comprehensive income" (the "Fair value reserve"). This reserve is only recycled to profit or loss when the financial asset is effectively disposed of (or extinguished) 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 prof-

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.

it 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 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 related to investment contracts issued by the subsidiary, Poste Vita SpA, are accounted for at fair value through profit or loss.
Financial liabilities are derecognised when extinguished 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 for the designation of a cash amount, made up by 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.

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.

• ***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 above 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 transaction.

Classification of receivables and payables attributable to BancoPosta RFC

The 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 matching 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 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 ven-

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.

tures, where the timing of the reversal of the temporary difference is controlled by the Group and 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 the matching assets deriving from withholding tax or advances paid.
The Group's tax expense and its accounting treatment reflect the effects deriving from the Poste Italiane SpA consolidated tax return, for which the Group 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. 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, to which the positive or negative income components adjusted in the process of consolidation refer, Poste Italiane SpA attributes such reductions or increases in tax expense to the above companies. 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 assets and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable assets, cost is measured on the basis of the specific cost of the asset 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, it is deemed unlikely that the expense will 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].

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.

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 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 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 the matching 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 to extinguish obligations deriving from the above transactions.

Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2013 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 in this category, the depreciation process is halted at the date of the reclassification.

12. Mistral Air Srl.

Equity

Share capital

The 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 relate to capital or revenue reserves. They include, the BancoPosta ring fenced capital (thereafter "BancoPosta RFC") reserve, representing the initial attribution of equity attributed to 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, deriving from recognition of 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 was not 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 standards and policies applied in the classification and measurement of insurance contracts 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 2007 Poste Vita SpA started selling accident and medical insurance, whilst Poste Assicura SpA began operating in the non-life sector in 2010.
The Group applies the following basis 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, are 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; the 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

Instead of being classified as financial contracts, contracts for separately managed accounts with discretionary participation features[13] are, in compliance with the requirements of IFRS 4, accounted for 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;
- portions of 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).

13. A contractual right of investors to receive returns on the assets under management.

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 analysis of the portion to be recognised in the specific deferred tax 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 not linked 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;
- premiums and changes in technical provisions are not recognised in income, only fees and commissions are recorded as revenue, and cost components, represented by commissions and other charges, recognised in profit or loss. 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 rare cases, where disclosure of some or all of the information regarding the risks in question can be expected to prejudice seriously 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, which are foreseen to be paid to the employee in consideration of his or her employment services provided over the relevant period, is required to be 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, cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19. Under defined contribution plans the 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 art. 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].
- 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 amount to be paid upon termination of employment (TFR) in the future is projected and discounted using the projected unit credit method to account for 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 assumption (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 rises in salary. Actuarial gains and losses are recognised at the end of each reporting period, directly in other comprehensive income, 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 a pension in addition to those managed by INPS to the extent and according to the conditions provided for in specific regulations covered by the collective labour contract and legislation. Initial recognition and subsequent measurement 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 contributions 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 when incurred, based on the 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 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.

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, 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.

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 from 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, in proportion to the costs actually incurred for the project and accounted for to the public entity; grants related to property, plant and equipment, in proportion to the depreciation taken on the assets purchased 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 exactly discounts all the cash flows of the related instrument.

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.

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 regard the MEF and the 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 judgments and estimates, based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of these estimates and assumptions affects the amounts reported in the financial statements and in the disclosures provided. 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 which characterise the assumptions and the conditions on which estimates are based. The estimates and assumptions are periodically reviewed the impact of any changes is reflected in the financial statements for the period in which the estimated is revised if the revision only influences the current period, or also in future periods if the revision influences the 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.

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, the Company continued to provide the universal postal service on a regular basis also during the year under review, as it had done in 2012. After the expiration of the *Contratto di Programma* (Planning Agreement) for 2009-2011, determination of the compensation payable by the Ministry of the Economy and Finances, as partial coverage of the costs incurred, has been based on the existing subsidy cap mechanism. This is based on the estimated compensation that can be reasonably expected to be obtained following the procedures under way (see note 7), in view of the increase requested in accordance with the applicable EU laws. Accordingly, determination of the compensation may be affected by certain factors and circumstances whose economic effects might materialise in the future accounts of Poste Italiane SpA. These include: AGCom's investigations started with resolutions 444/12/CONS and 117/14/CONS, concerning, respectively, assessment of the net cost of the universal service for 2011 and 2012, in light of the EU Postal Directive 2008/6/EC, implementation of an allocation mechanism for this cost, and the new EU rules on State aid to pay for public services, published in January 2012, which has introduced certain innovations in the way Services of General Economic Interest are awarded and funded.

15. Diluted earnings per share are calculated by taking into account of the dilutive effect of all the instruments potentially convertible 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 dilutive potential ordinary shares.

Whilst awaiting renewal of agreements between Poste Italiane SpA and the tax authorities, the Parent Company continued to provide the related services. Revenue recognition is based on the tariffs established in the previous agreements and which it is reasonable to expect will be confirmed in the new agreement, or on the lower tariffs derived from the recent negotiations with the relevant Public Sector entity.

At 31 December 2013 receivables due to the Parent Company from the MEF and the Cabinet Office amounted to approximately €1.25 billion. This amount consists of:

- Receivables of over €751 million in the form of universal service compensation, including €343 million for 2013 and €350 million for 2012, which can only be collected once the different requirements related to the financial and regulatory aspects of the arrangements between Poste Italiane SpA and the Ministry for Economic Development are finalized; approximately €50 million related to financial year 2011 which were not funded in the State budget, and €8 million for 2005, which was cut following the budget laws for 2007 and 2008.
- Receivables of approximately €154 million in the form of publisher tariff subsidies. Of this amount, approximately €152 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 on a straight-line basis until 2016. 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 €348 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 €14 million of these items, and payment of approximately €146 million has been suspended whilst awaiting specific measures.

Based on the above, of the total amount receivable, with a nominal value of over €1.25 billion, in the case of approximately €74 million either no provision has been made in the state budget or there is no legislation establishing the procedures for the payment to the Company, whilst the collection of approximately €991 million is deferred or suspended.
Given the length of time these receivables have been outstanding Poste Italiane SpA has to manage working capital, with a negative impact on cash flow. Given that it is not currently possible to forecast when and how the receivables will be paid by the various Public Sector entities, without prejudice to the Parent Company's full entitlement and related rights, provisions for doubtful debts due from the MEF, at 31 December 2013 reflect the best estimate based on the circumstances and the financial impact of the above situation.
In the past, changes to the relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing profit or loss. The above circumstances mean that 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 2013 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 and goodwill arising from consolidation

The current economic and financial crisis, which has resulted in highly volatile markets and great uncertainty with regard to economic projections, makes it difficult to produce forecasts that can, without any uncertainty, be defined as reliable.

Goodwill and goodwill arising from consolidation are tested annually to assess whether or not they have 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, where applicable. The tests carried out at 31 December 2013 were based on projections contained in the three-year plans for the relevant cash generating units (Group companies or their subsidiaries) for the period 2014-2016 and, in the absence of such plans, on economic forecasts for future reporting periods. 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 2013.

Measurement of other non-current assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and that, as such, it should 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, value 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, makes it difficult to produce forecasts that can, without any uncertainty, be defined as reliable.
In this context, given the ongoing crisis in the property market, Poste Italiane SpA has recently embarked on a plan to update estimates of the market value of its property assets, with the aim of verifying the significance of any indicators of impairment. Whilst awaiting completion of this process, which is due to take place after the end of the reporting period under review, the Group has prudently taken into account the ongoing volatility of property prices and the related impact on the value in use of certain properties, should such properties no longer be used in operations in future. At 31 December 2013 the fair value of the Parent Company's properties used in operations was, however, significantly higher than their carrying amount. With particular reference to properties used as post offices and sorting centres, Poste Italiane SpA's service obligation was taken into account, contemplating the inseparability of the cash flows generated by the large number of 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 impacting on the cash flows or results of the Postal and Business services segment.

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. Changes in technology and industry, in dismantling costs and in the recoverable amount of assets are reviewed annually in order to update their residual useful lives.

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, which are regularly verified by independent external actuaries. In order to verify the adequacy of the provisions, the 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 test is conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio at 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

In compliance with IFRS 13 - *Fair Value Measurement,* as adopted by EU Regulation 1255/2012 of 11 December 2012, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.
The financial assets and liabilities concerned (specifically financial 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 in active markets:
  - Bonds issued by the Italian government: valuation is based on prices as quoted on the MTS (wholesale electronic market for government securities).
  - Bonds issued by EU government bodies or Italian or foreign corporate bonds: measurement is based on prices observed on regulated markets according to a specific hierarchy of application, as follows:
    - the theoretical "bid" price at 4.00pm London time (GMT), computed by a leading global information provider;
    - the latest bid price on regulated markets recognised by the CONSOB pursuant to Resolution 16370 of 4 March 2008.

- Quoted Italian equity instruments: measurement is based on the price resulting from the last trade of the day on the Italian Stock Exchange.

- Quoted investment funds: this category includes investments funds quoted on active markets. Measurement is based on the NAV (Net Asset Value) determined by the fund manager.

- Financial liabilities quoted on active markets: this category includes straight bonds, which are measured on the basis of the last "ask" price provided by a globally recognised info provider.

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. The nature of the Poste Italiane Group's operations means that the observable data used as input for the determination of the fair value of separate 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.
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 asset swap spreads, as determined with reference to quoted and liq-

uid benchmark securities. Yield curves may be slightly adjusted to take liquidity risk into account as would be typical for an inactive market.
- Structured bonds: measurement is based on the approach in building blocks, where the structured bond is broken down into its elementary components, the bond component and the option component. The bond component is measured by discounting to present value its cash flows, 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 – can be regarded as representative of interest rate risk, is measured with a closed formula, according to classical measurement models for options having such a risk factor as their underlying.

- 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 price differentials of class B and C ordinary shares from listed class A ordinary shares.

- 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 capital market techniques.
    - 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 measured 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 a closed-formula model.

The derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for the counterparty's credit risk. The yield curve to be used to compute present value should be selected to be consistent with the manner in which cash collateral is remunerated. This approach may also be used for security in the form of pledged debt securities, given the limited level of credit risk inherent in the collateralised securities held by the Poste Italiane Group.

- Fixed rate and variable rate instruments: measurement is based on the discounted cash flow approach. The counterparty's credit spread is embodied 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 the approach in building blocks, where the structured bond is broken down into its elementary components, the bond component and the option component. The bond component is measured by discounting to present value its cash flows, with the approach applicable to straight bonds, as defined above. The option component which – considering the features of the bonds issued by the companies of the Poste Italiane Group – can be regarded as representative of interest rate risk is measured with a closed formula, according to classical measurement models for options having such a risk factor as their underlying.

- Borrowings: 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.
- 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's 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 costs to sell. 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:

• Financial liabilities either quoted on inactive markets or not at all: measurement takes place in accordance with the models described for the comparable level 2 instruments by applying a yield curve that, to take into account the issuer's rating, can be subject to significant changes.

• 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 invested 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.

• 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 2013

The following amendments, interpretations and revisions are applicable from 1 January 2013:

• **IAS 19** - *Employee Benefits*, as amended by Commission Regulation (EC) 475/2012. The amendment has eliminated the "corridor approach" and the option to recognise actuarial gains and losses in profit or loss thus requiring actuarial gains and losses to be fully recognised exclusively and immediately in equity. The amendment has no effect on the Group's financial statements, as it had already provided for the full and immediate recognition of actuarial gains and losses in other comprehensive income from 2006. The standard also requires a series of disclosures to be provided in the notes with respect to defined benefit plans, specifically including: an analysis of the sensitivity of defined benefit plans, almost entirely consisting of employee termination benefits, to changes in the principal actuarial assumptions, a breakdown of actuarial gains and losses showing the extent to which their underlying assumptions are demographic or financial in nature, and an indication of the principal actuarial assumptions used to determine the liabilities.

- **IFRS 13** - *Fair Value Measurement*, adopted by EU Regulation 1255/2012. The standard has introduced a single framework for the fair value measurement of both financial and non-financial assets and liabilities. In particular, the new standard sets out a clear and detailed definition of "fair value" and contains guidance on the methods and techniques of its measurement. With a view to increasing consistency and comparability, it also clarifies the method of classifying assets and liabilities measured at fair value within a fair value hierarchy, as already provided by IFRS 7, based on the nature of the input used by the valuation techniques.
- **IFRIC 20** - *Stripping Costs in the Production Phase of a Surface Mine*, adopted by EU Regulation 1255/2012. The interpretation is not applicable to the Group's operations.
- **IAS 12** - *Income Taxes – Deferred Tax: Recovery of Underlying Assets*, amendments adopted by EU Regulation 1255/2012 for retroactive application from 1 January 2012. The amendments particularly relate to the deferred taxation of real estate investments recognised at fair value in compliance with IAS 40. The Poste Italiane Group values its real estate investments at cost.
- **IFRS 1** - *First-time Adoption of International Financial Reporting Standards*, as amended by EU Regulations 1255/2012 and 183/2013. The Poste Italiane Group adopted the IAS/IFRS framework for the first time in 2005.
- **IFRS 7** - *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, amended by Commission Regulation (EC) 1256/2012. The amendments provide for additional information allowing financial statement users to better assess the actual and potential effects of offsetting arrangements on an entity's equity and finances. The amendment relates to all financial instruments for which offsetting is permitted in accordance with IAS 32.42, a netting agreement, or similar (e.g., derivatives offsetting agreements or repurchase transactions in accordance with international standards under global master repurchase agreements, etc.), regardless of whether the financial instruments themselves are eligible for offsetting in accordance with IAS 32.42.
- **2009 - 2011 annual improvements cycle**, as adopted by EU Regulation 301/2013. The regulation entailed improvements to IAS 1, 16, 32, 34 and IFRS 1, eliminating certain inconsistencies or clarifying terminology.
- Furthermore, EU Regulation 1256/2012 of 29 December 2012, which included the adoption of IFRS 7 - *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, provides for the retroactive deletion of paragraph 13 - Derecognition, effective 1 July 2011.

2.5.2 ACCOUNTING STANDARDS AND INTERPRETATIONS SOON TO BE EFFECTIVE

The following accounting standards, interpretations and amendments apply instead as of 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") the rules on the preparation of consolidated financial statements. In this way, the new IAS 27 will provide for the preparation of the separate financial statements alone 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 – Asset and Liability Offsetting*, 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 reflect better 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 a central counterparty, as a result of laws or regulation. In particular, in these cases hedge accounting can continue regardless of novation.

Lastly, as of the date of approval of these financial reports, the IASB has issued standards, interpretations and amendments that have not yet been endorsed by the EU and/or that are still in the consultation phase, including:

- Exposure Draft *"IFRS 9 - Financial Instruments",* as part of the review of the existing IAS 39;
- a number of Exposure Drafts, also as part of the review of the existing IAS 39, have been issued regarding "*Amortised Cost and Impairment, Fair Value Option for Financial Liabilities* and *Hedge Accounting"*;
- Exposure Draft *"IFRS - Annual improvement cycle"* in relation to 2010-2012, 2011-2013 and 2012-2014, in connection with the annual projects to improve and revise international accounting standards;
- Exposure Draft *"Measurement of Non-financial Liabilities"* as part of the review of the existing IAS 37 regarding the recognition and measurement of provisions, contingent liabilities and contingent assets;
- Exposure Draft "*Revenue from Contracts with Customers"* as part of the review of the existing IAS 11 and IAS 18, regarding revenue recognition;
- Exposure Draft "*Insurance Contracts*" as part of the review of the existing IFRS 4, regarding the accounting treatment of insurance contracts;
- Exposure Draft "*Leases*" as part of the review of the existing IAS 17, regarding the accounting treatment of leases;
- Exposure Draft *"Operating segments"*, regarding the revision of IFRS 8 on accounting for operating segments;
- Interpretation on *"Put Options Written on Non-Controlling Interests";*
- Exposure Draft *"IAS 28 - Equity Method: Share of Other Net Asset Changes";*
- Exposure Draft *"IAS 16 - Property, Plant and Equipment" and "IAS 38 - Intangible Assets - Clarification of Acceptable Methods of Depreciation and Impairment";*
- Exposure Draft *"IFRS 10 - Consolidated Financial Statements" and "IAS 28 - Investments in Associates and Joint Ventures: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture";*
- Exposure Draft *"IFRS 11 - Joint Arrangements: Acquisition of an Interest in a Joint Operation";*
- Exposure Draft *"IAS 19 - Defined Benefit Plans - Employee Contributions";*
- Interpretation on "*IFRIC 21 - Levies Charged by Public Authorities on Entities that Operate in a Specific Market"*;
- Exposure Draft *"IAS 27 - Equity Method in Separate Financial Statements";*
- Discussion Paper *"Conceptual Framework for Financial Reporting"*, as part of the conceptual revision of the current Framework;
- Exposure Draft *"IFRS 14 - Regulatory Deferral Accounts"*, which permits only first-time adopters to continue to recognise the amounts related to rate regulations in accordance with previous GAAP.

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 at 31 December 2013

Contents

3.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December

ASSETS

(€000)	Note	2013	*of whitch related party transactions (note 3.5)*	2012	*of whitch related party transactions (note 3.5)*
Non-current assets					
Property, plant and equipment	[A1]	2,490,278	-	2,650,319	-
Investment property	[A2]	68,934	-	135,729	-
Intangible assets	[A3]	576,911	-	523,881	-
Investments accounted for using the equity method	[A4]	8,611	*8,611*	9,822	*9,822*
Financial assets	[A5]	106,478,255	*2,401,453*	88,545,089	*615,771*
Trade receivables	[A7]	108,747	-	152,410	-
Deferred tax assets	[C13]	673,349	-	905,479	-
Other receivables and assets	[A8]	1,568,175	*1,466*	1,189,861	*1,466*
Total		**111,973,260**		**94,112,590**	
Current assets					
Inventories	[A6]	145,078	-	58,970	-
Trade receivables	[A7]	3,637,139	*2,124,544*	3,781,362	*2,168,087*
Current tax assets	[C13]	718,674	-	521,665	-
Other receivables and assets	[A8]	938,400	*3,426*	779,656	*9,967*
Financial assets	[A5]	11,988,354	*6,866,752*	15,602,736	*7,512,759*
Cash and deposits attributable to BancoPosta	[A9]	3,079,693	-	3,179,701	-
Cash and cash equivalents	[A10]	1,445,334	*529,414*	2,533,323	*1,397,125*
Total		**21,952,672**		**26,457,413**	
Non-current assets held for sale	[A11]	**-**	**-**	**129**	**-**
TOTAL ASSETS		**133,925,932**		**120,570,132**	

LIABILITIES AND EQUITY

(€000)	Note	2013	*of whitch related party transactions (note 3.5)*	2012	*of whitch related party transactions (note 3.5)*
Equity					
Share capital	[B1]	1,306,110	-	1,306,110	-
Reserves	[B4]	1,951,888	-	1,264,143	-
Retained earnings		3,858,306	-	3,080,273	-
Equity attributable to owners of the Parent		**7,116,304**		**5,650,526**	
Equity attributable to non-controlling interests		-	-	-	-
Total		**7,116,304**		**5,650,526**	
Non-current liabilities					
Technical provisions for insurance business	[B5]	68,004,986	-	56,771,043	-
Provisions for risks and charges	[B6]	564,552	*49,282*	538,879	*56,902*
Employee termination benefits and pension plans	[B7]	1,339,877	-	1,440,133	-
Financial liabilities	[B8]	5,928,324	*955,240*	6,067,606	*2,640,962*
Deferred tax liabilities	[C13]	505,550	-	412,533	-
Other liabilities	[B10]	531,528	-	329,269	*6*
Total		**76,874,817**		**65,559,463**	
Current liabilities					
Provisions for risks and charges	[B6]	601,143	*10,775*	872,801	*11,543*
Trade payables	[B9]	1,519,629	*181,287*	1,630,695	*198,219*
Current tax liabilities	[C13]	101,845	-	62,762	-
Other liabilities	[B10]	1,870,213	*70,723*	1,703,002	*70,512*
Financial liabilities	[B8]	45,841,981	*941,033*	45,090,883	*127,759*
Total		**49,934,811**		**49,360,143**	
TOTAL EQUITY AND LIABILITIES		**133,925,932**		**120,570,132**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the year ended 31 December

(€000)	Note	2013	*of whitch related party transactions (note 3.5)*	2012	*of whitch related party transactions (note 3.5)*
Revenue from sales and services	[C1]	9,622,246	*2,572,941*	9,932,535	*2,640,841*
Insurance premium revenue	[C2]	13,200,046	-	10,530,826	-
Other income from financial and insurance activities	[C3]	3,281,152	-	3,463,605	-
Other operating income	[C4]	164,757	*6,722*	142,519	*3,882*
Total revenue		**26,268,201**		**24,069,485**	
Cost of goods and services	[C5]	2,734,491	*158,686*	2,828,117	*188,118*
Net change in technical provisions for insurance business and other claims expenses	[C6]	15,265,561	-	12,987,840	-
Other expenses from financial and insurance activities	[C7]	73,811	-	164,388	-
Personnel expenses	[C8]	6,007,993	*39,608*	5,895,089	*33,515*
of which non-recurring costs/(income)		*(20,283)*	*(82,042)*	*(54,715)*	
Depreciation, amortisation and impairments	[C9]	588,644	-	648,881	-
Capitalised costs and expenses	[C10]	(57,210)	-	(61,947)	-
Other operating costs	[C11]	254,416	*7,282*	225,064	*6,197*
Operating profit/(loss)		**1,400,495**		**1,382,053**	
Finance costs	[C12]	98,113	*8,847*	118,155	*14,715*
Finance income	[C12]	226,042	*41,876*	159,094	*43,919*
of which non-recurring income		*59,576*	-		
Profit/(Loss) on investments accounted for using the equity method	[A4]	157		(218)	
Profit/(Loss) before tax		**1,528,581**		**1,422,774**	
Income tax expense	[C13]	746,476	-	668,134	-
Income tax for previous years following change in legislation	[C13]	(222,772)	-	(277,852)	-
PROFIT FOR THE YEAR		**1,004,877**		**1,032,492**	
attributable to owners of the Parent		1,004,877		1,032,492	
attributable to non-controlling interests		-		-	
Earnings per share	[B3]	**0.769**		**0.791**	
Diluted earnings per share	[B3]	**0.769**		**0.791**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

(€000)	Note	2013	2012
Profit/(Loss) for the year		**1,004,877**	**1,032,492**
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]	1,010,048	3,336,192
Transfers to profit or loss	[tab. B4]	(216,804)	7,923
Cash flow hedges			
Increase/(Decrease) in fair value during the year	[tab. B4]	188,215	201,675
Transfers to profit or loss	[tab. B4]	(30,642)	(111,627)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss		(299,184)	(1,110,647)
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]	81,585	(280,110)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss		(22,317)	76,426
Total other components of comprehensive income		**710,901**	**2,119,832**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,715,778**	**3,152,324**
attributable to owners of the Parent		1,715,778	3,152,324
attributable to non-controlling interests		-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity								
		Reserves							
(€000)	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 Interest	Total equity
Balance at 1 January 2012	**1,306,110**	**225,939**	**1,000,000**	**(2,136,546)**	**(185,949)**	**2,638,648**	**2,848,202**	**13**	**2,848,215**
Total comprehensive income for the year	-	-	-	2,262,787	60,729	828,808	3,152,324	-	3,152,324
Attribution of profit to reserves	-	37,183	-	-	-	(37,183)	-	-	-
Dividends paid	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Change in scope of consolidation	-	-	-	-	-	-	-	(13)	(13)
Balance at 31 December 2012	**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)
Other shareholder transactions	-	-	-	-	-	-	-	-	-
Cancellation of EC Decision of 16 July 2008	-	-	-	-	-	568,407	568,407	-	568,407
Amount due from shareholder for cancellaton 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**

(*) This item includes profit for the year of €1,004,877 thousand and actuarial gains on provisions for the employee termination benefits of €81,585 thousand, after the related current and deferred tax expense of €22,317 thousand.

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December

(€000)	Note	2013	2012
Cash and cash equivalents at beginning of year		**2,533,323**	**1,903,455**
Profit/(Loss) before tax		1,528,581	1,422,774
Depreciation, amortisation and impairments	[tab. C9]	588,644	606,626
Impairment of goodwill/goodwill arising from consolidation	[tab. A3]	-	42,255
Net provisions for risks and charges	[tab. B6]	163,558	281,190
Use of provisions for risks and charges	[tab. B6]	(413,494)	(420,591)
Provisions for employee termination benefits	[tab. B7]	967	733
Employee termination benefits and pensions paid	[tab. B7]	(73,046)	(96,071)
Interest expense to financial institutions		(14,229)	48,280
(Gains)/Losses on disposals	[tab. C4]	875	(256)
(Gains)/Losses on financial assets/liabilities measured at fair value		(636,514)	(1,403,688)
(Income)/Expenses and other non-cash components from financial and insurance activities		(2,073,504)	(901,043)
(Dividends)	[tab. C12.1]	(98)	(108)
Dividends received		98	108
(Finance income realised)	[tab. C12.1]	(8,784)	(12,121)
(Finance income in form of interest)	[tab. C12.1]	(212,038)	(143,459)
Interest received		120,415	146,883
Interest expense and other finance costs	[tab. C12.2]	93,273	115,755
Interest paid		(17,965)	(74,681)
Losses and impairments/(Recoveries) on receivables	[tab. C11]	29,963	32,973
Income tax paid	[tab. C13.3]	(665,618)	(902,323)
Other changes		3,052	7,582
Cash flow generated by operating activities before movements in working capital	[a]	(1,585,864)	(1,249,182)
Movements in working capital:			
(Increase)/Decrease in Inventories	[tab. A6]	(595)	2,863
(Increase)/Decrease in Trade receivables		128,915	57,989
(Increase)/Decrease in Other receivables and assets		(222,769)	(239,368)
Increase/(Decrease) in Trade payables		(111,066)	(385,623)
Increase/(Decrease) in Other liabilities		150,997	62,056
Cash flow generated by /(used in) movements in working capital	[b]	(54,518)	(502,083)
Increase/(Decrease) in liabilities attributable to financial activities		501,096	6,328,667
Net cash generated by/(used for) financial assets attributable to financial activities held for trading		9,256	107,826
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities		(713,771)	(5,420,316)
Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities		(939,235)	543,995
(Increase)/Decrease in cash and deposits attributable to BancoPosta	[tab. A9]	100,008	(619,707)
(Increase)/Decrease in other assets attributable to financial activities		453,139	830,021
Cash generated by/(used for) assets and liabilities attributable to financial activities	[c]	(589,507)	1,770,486
Payment of liabilities linked to financial contracts attributable to insurance activities	[tab. B8]	-	(59,204)
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities		334,910	1,016,439
Increase/(Decrease) in net technical provisions for insurance business		10,115,782	7,460,546
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities	[tab. A5.5]	(8,968,353)	(6,666,780)
(Increase)/Decrease in other assets attributable to insurance activities		(10,641)	5,048
Cash generated by/(used for) assets and liabilities attributable to insurance activities	[d]	**1,471,698**	**1,756,049**
Net cash flow from/(for) operating activities	[e]=[a+b+c+d]	**(758,191)**	**1,775,270**
- of which related party transactions		**(2,016,160)**	**2,168,006**
Investing activities:			
Property, plant and equipment	[tab. A1]	(261,051)	(257,556)
Investment property	[tab. A2]	(742)	(5,261)
Intangible assets	[tab. A3]	(243,452)	(219,169)
Investments	[tab. A4.1]	(9)	(219)
Other financial assets		(231,344)	(33,479)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		4,413	13,617
Investments	[tab. A4.1]	-	-
Other financial assets		11,340	106,738
Change in scope of consolidation		1,283	(150)
Net cash flow from/(for) investing activities	[f]	**(719,562)**	**(395,479)**
- of which related party transactions		**(32,899)**	**(6,595)**
Proceeds from/(Repayments of) long-term borrowings		790,573	85,584
(Increase)/Decrease in loans and receivables		147,799	143,771
Increase/(Decrease) in short-term borrowings		(298,608)	(629,278)
Dividends paid	[B2]	(250,000)	(350,000)
Net cash flow from/(for) financing activities and shareholder transactions	[g]	**389,764**	**(749,923)**
- of which related party transactions		**(215,655)**	**(501,600)**
Net increase/(decrease) in cash	[h]=[e+f+g]	**(1,087,989)**	**629,868**
Cash and cash equivalents at end of year	[tab. A10]	**1,445,334**	**2,533,323**
Cash and cash equivalents at end of year	[tab. A10]	**1,445,334**	**2,533,323**
Cash subject to investment restrictions		(262,157)	(1,168,127)
Cash attributable to technical provisions for insurance business		(624,625)	(924,194)
Amounts that cannot be drawn on due to court rulings		(13,545)	(25,606)
Current account overdrafts		(4,925)	(14,792)
Unrestricted net cash and cash equivalents at end of year		**540,082**	**400,604**

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. 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 financial statements used for consolidation purposes have been specifically prepared at 31 December 2013, 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 singly or cumulatively, 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[16]. 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 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, after a review of their fair value, if positive is recognised as goodwill arising from consolidation, or, if negative, recognised in profit or loss;
- 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;
- significant transactions between companies consolidated on a line-by-line basis and unrealised gains and losses on such transactions and the related tax effects 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.

16. Programma Dinamico SpA, a securitisation vehicle established in accordance with Law 130 of 30 April 1999, which meets the control definition established in IAS 27 and SIC 12, is not consolidated as it has substantially completed the purpose for which it was established and its separate statement of financial position, statement of profit or loss and statement of cash flows are not material.

The equity method is as follows:

- the Group's share of the entities 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, unless the unrealised loss provides evidence of impairment.

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries	At 31 December 2013	At 31 December 2012
Consolidated on a line-by-line basis	17	17
Consolidated using the equity method	7	7
Total subsidiaries	**24**	**24**

On 17 September 2013 Postel SpA, which already held 85% of Docutel Communication Services SpA, acquired the remaining 75,000 shares that it did not own in the company. On 26 September 2013 the Board of Directors of Postel SpA approved the plan to merge Docutel Communication Services SpA with and into Postel SpA. The related merger deed was filed with the Companies' Register on 19 December 2013, whilst the transaction was effective for accounting and tax purposes from 1 January 2013.

Poste Holding Participações do Brasil Ltda, the company set up to launch a new Mobile Virtual Network Operator in Brazil under a joint venture with the Brazilian postal provider, Correios, was established on 12 August 2013. The new company's share capital is 27,500 Brazilian reals, corresponding to about €9,000, with Poste Italiane holding 76% and PosteMobile SpA 24%.

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%).

On 11 March 2014 Italo-Brasil Holding SA was established, with share capital of 1,000 Brazilian reals, equivalent to approximately €300, which is 90% held by Poste Holding Partecipações do Brasil Ltda.

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.

3.3 NOTES TO THE FINANCIAL STATEMENTS

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT

The following table shows movements in property, plant and equipment in 2013:

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 payments	Total
Balance at 1 January 2012								
Cost	75,983	2,738,133	2,161,070	309,788	322,437	1,416,413	70,681	7,094,505
Accumulated depreciation	-	(1,142,650)	(1,580,491)	(255,633)	(117,695)	(1,178,129)	-	(4,274,598)
Accumulated impairments	(103)	(17,546)	(11,879)	(770)	(42)	(97)	-	(30,437)
Carrying amount	**75,880**	**1,577,937**	**568,700**	**53,385**	**204,700**	**238,187**	**70,681**	**2,789,470**
Movements during the year								
Purchases	1,563	28,641	59,074	6,323	25,279	83,240	53,436	257,556
Adjustments	-	122	-	-	-	-	-	122
Reclassifications	(533)	16,627	15,606	33	5,752	18,270	(57,189)	(1,434)
Disposals	(50)	(36)	(463)	(430)	(1,610)	(193)	(38)	(2,820)
Change in scope of consolidation	-	317	263	3	-	1,613	-	2,196
Depreciation	-	(101,277)	(127,822)	(12,599)	(29,825)	(89,269)	-	(360,792)
Impairments	-	(32,452)	(437)	-	(430)	(660)	-	(33,979)
Total movements	**980**	**(88,058)**	**(53,779)**	**(6,670)**	**(834)**	**13,001**	**(3,791)**	**(139,151)**
Balance at 31 December 2012								
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[1]	-	-	-	-	-	-	-	-
Reclassifications[2]	(2,022)	(15,839)	4,959	(37)	6,002	28,018	(47,728)	(26,647)
Disposals[3]	(1)	(285)	(398)	(4)	(1,406)	(446)	(580)	(3,120)
Change in the scope of consolidation[4]	-	-	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	**HFM**							
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**
Reclassifications[2]								
Cost	(2,022)	(36,248)	(1,890)	1	6,046	34,650	(47,728)	(47,191)
Accumulated depreciation	-	20,409	6,849	(38)	(44)	(6,632)	-	20,544
Total	**(2,022)**	**(15,839)**	**4,959**	**(37)**	**6,002**	**28,018**	**(47,728)**	**(26,647)**
Disposals[3]								
Cost	(1)	(564)	(79,730)	(281)	(4,682)	(35,609)	(580)	(121,447)
Accumulated depreciation	-	271	79,028	277	3,276	35,163	-	118,015
Accumulated impairments	-	8	304	-	-	-	-	312
Total	**(1)**	**(285)**	**(398)**	**(4)**	**(1,406)**	**(446)**	**(580)**	**(3,120)**
Change in scope of consolidation[4]								
Cost	-	-	1,199	-	-	165	-	1,364
Accumulated depreciation	-	-	(955)	-	-	(145)	-	(1,100)
Total	**-**	**-**	**244**	**-**	**-**	**20**	**-**	**264**

At 31 December 2013 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 €117,851 thousand.

Purchases of €261,051 thousand in 2013, including €6,997 thousand in capitalised costs for self-constructed assets, consist of:

- €48,414 thousand relating to properties used in operations, relating mainly to the purchase of an appurtenance to the headquarters complex in Rome (€19,833 thousand), extraordinary maintenance of post offices and local head offices around the country (€20,526 thousand), and mail sorting offices (€5,299 thousand);
- €53,909 thousand relating to plant, with the most significant purchases of plant and equipment made by the Parent Company, of which €30,790 thousand relates to plant and equipment related to buildings, €7,571 thousand relates to the installation and extraordinary maintenance of video surveillance systems, and €7,503 thousand to the installation of ATMs;
- €22,786 thousand invested in leasehold improvements relating to the upgrade of plant (€15,033 thousand) and structural improvements (€7,401 thousand) to properties held under lease;
- €96,593 thousand relating to other assets, the most significant items of which relate to the Parent Company: for which €48,827 thousand was for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems, €13,724 thousand was for the purchase of new delivery vehicles and €9,378 thousand was for the purchase of furniture and fittings in connection with the new layouts for post offices. The total also includes purchases made by PosteMobile SpA, totalling €13,772 thousand, relating mainly to hardware components for the so-called electronic postman project and mobile telephones to be leased;
- €33,543 thousand relating to assets under construction, primarily referring to the Parent Company's investments in progress, of which €19,860 thousand relates to the restyling of post offices and €6,083 thousand to the renovation of primary distribution centres.

Impairments during the year concern assets located on land held under concession or sub-concession arrangements which, pending a renewal, have expired, certain industrial buildings for which account was taken, prudentially, of persistent price volatility (note 2.3 – Use of estimates) and equipment in sorting centres whose use has been reduced, or which has been removed from the production cycle, and is due to be scrapped.

Reclassifications from assets under construction, totalling €47,728 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 amount for reclassifications of owned properties, equal to a reduction of €15,839 thousand, corresponds to the transfer to "Inventories" of €24,939 thousand relating to properties owned by EGI SpA and no longer used in operations by Group companies.

The following table shows a breakdown by category of property, plant and equipment held under finance leases, showing the carrying amounts at 31 December 2013.:

tab. A1.1 - Property, plant and equipment held under finance leases

	At 31 December 2013			At 31 December 2012		
Item	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Buildings	17,043	(5,878)	11,165	17,043	(5,367)	11,676
Other assets	6,885	(5,919)	966	6,885	(4,993)	1,892
Total	**23,928**	**(11,797)**	**12,131**	**23,928**	**(10,360)**	**13,568**

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 2013:

tab. A2 - Movements in investment property

	2013	2012
Balance at 1 January		
Cost	228,509	235,388
Accumulated depreciation	(90,490)	(83,754)
Accumulated impairments	(2,290)	(2,400)
Carrying amount	**135,729**	**149,234**
Movements during the year		
Purchases	742	5,261
Reclassifications[1]	(58,352)	(7,085)
Disposals[2]	(1,203)	(3,618)
Depreciation	(8,586)	(7,934)
Reversal of impairments (impairments)	604	(129)
Total movements	**(66,795)**	**(13,505)**
Balance at 31 December		
Cost	145,269	228,509
Accumulated depreciation	(74,652)	(90,490)
Accumulated impairments	(1,683)	(2,290)
Carrying amount	**68,934**	**135,729**
Fair value at 31 December	***122,001***	***340,449***
Reclassifications[1]		
Cost	(81.767)	(6.369)
Accumulated depreciation	23.415	(162)
Accumulated impairments	-	(554)
Total	**(58.352)**	**(7.085)**
Disposals(2)		
Cost	(2,215)	(5,771)
Accumulated depreciation	1,009	1,360
Accumulated impairments	3	793
Total	**(1,203)**	**(3,618)**

The fair value of investment property at 31 December 2013 includes approximately €70,517 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[17].

The reclassification occurred during the year includes €58,352 thousand in properties owned by EGI SpA which, given that they are no longer used by the Group, have been reclassified to "Inventories".

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.

17. 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 2013:

tab. A3 - Movements in intangible assets

	Industrial patents, intellectual property rights, concessions, licenses, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Balance at 1 January 2012					
Cost	1,549,505	159,438	107,860	135,494	1,952,297
Accumulated amortisation and impairments	(1,254,342)	(99)	(15,552)	(124,707)	(1,394,700)
Carrying amount	**295,163**	**159,339**	**92,308**	**10,787**	**557,597**
Movements during the year					
Purchases	69,571	144,160	-	5,438	219,169
Adjustments	-	-	-	-	-
Reclassifications	118,549	(121,267)	-	2,663	(55)
Transfers and disposals	(1,837)	(1,747)	-	(275)	(3,859)
Change in the scope of consolidation	373	-	(3,296)	-	(2,923)
Amortisation and impairments	(196,125)	-	(42,255)	(7,668)	(246,048)
Total movements	**(9,469)**	**21,146**	**(45,551)**	**158**	**(33,716)**
Balance at 31 December 2012					
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 first half					
Purchases	103,103	134,735	-	5,614	243,452
Reclassifications[1]	129,321	(133,397)	-	3,562	(514)
Transfers and disposals[2]	(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**
Reclassifications[1]					
Cost	129,321	(133,397)	-	3,562	(514)
Accumulated amortisation	-	-	-	-	-
Total	**129,321**	**(133,397)**	**-**	**3,562**	**(514)**
Transfers and disposals[2]					
Cost	(3,950)	(179)	-	(68,872)	(73,001)
Accumulated amortisation	3,299	-	-	68,867	72,166
Total	**(651)**	**(179)**	**-**	**(5)**	**(835)**
Change in the scope of consolidation[3]					
Cost	18	19	37		
Accumulated amortisation	(18)	(19)	(37)		
Total	**-**	**-**	**-**	**-**	**-**

Investment in intangible assets during 2013 amounted to €243,452 thousand, of which €50,213 thousand relates to internally developed software.
Purchases of industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights total €103,103 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[18] (€56,181 thousand), for the BancoPosta services (€43,350 thousand), for the postal products platform (€26,461 thousand), for support to the sales network (€19,334 thousand) and to the re-engineering of reporting processes and other business and staff functions (€7,892 thousand). This item also includes software acquired under a finance lease and to be used by PosteMobile SpA in its operations as a Full MVNO (Mobile Virtual Network Operator), totalling €4,308 thousand. This platform is an addition to the existing platform obtained in previous years, again under a finance lease.
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 €129,321 thousand, reflecting the completion and commissioning of software and the evolution of existing software.
The following table shows the carrying amount of intangible assets purchased under finance leases at 31 December 2013:

tab. A3.1 - Intangible assets held under finance leases

	At 31 December 2013			At 31 December 2012		
Item	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	20,475	(17,714)	2,761	71,003	(39,061)	31,942
Total	**20,475**	**(17,714)**	**2,761**	**71,003**	**(39,061)**	**31,942**

In 2007 PosteMobile SpA signed a contract for the supply of the hardware and software platform to be used in the provision of mobile telecommunication services. At 31 December 2013 the software component has a carrying amount of €2,761 thousand, and the hardware component is accounted for as *property, plant and equipment*, at a carrying amount of €920 thousand

Compared to 31 December 2012, the reduction in assets held under finance leases is due to the acquisition of title following termination or expiration of the related finance leases.

Goodwill, net of amortisation as shown in the following table, primarily derives from acquisitions and subsequent mergers of companies carried out by the subsidiaries, Postel SpA and PostelPrint SpA, until 1 January 2004. This 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.

18. The platform in question combines several software applications used across the Company's systems and segments. The main expenditure on assets under construction regards plans related to service continuity and service delivery – which are intended to ensure the proper transition into production of new applications – and to project engineering – which is designed to create a new operational model for the secure development of applications.

tab. A3.2 - Goodwill

Name	Balance at 31 December 2013	Balance at 31 December 2012
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 2013	Balance at 31 December 2012
Investments in subsidiaries	2,998	4,435
Investments in joint ventures	48	34
Investments in associates	5,565	5,353
Total	**8,611**	**9,822**

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 2013

Investments	Balance at 01/01/13	Addition/ (Reductions)	Changes in the scope of consolidation	Adjustments account for using the equity method	Adjustments dividend adjustments	Balance at 31/12/13
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 2013.
(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, S.T.E. Srl, T.W.S. Express Courier Srl.

Movements in investments accounted for using the equity method in the year ended 31 December 2012

Investments	Balance at 01/01/12	Addition/ (Reductions)	Changes in the scope of consolidation	Adjustments		Balance at 31/12/12
				Account for using the equity method	Dividend adjustments	
In subsidiaries						
Address Software Srl	137	-	-	(11)	-	126
Docutel SpA	1,263	-	-	114	-	1,377
Kipoint SpA[1]	1,222	-	-	(719)	-	503
PatentiViaPoste ScpA	-	104	-	-	-	104
Poste Tributi ScpA	2,325	-	-	-	-	2,325
Total subsidiaries	**4,947**	**104**	**-**	**(616)**	**-**	**4,435**
In joint ventures						
Uptime SpA[2]	34	115	-	(115)	-	34
Total joint ventures	**34**	**115**	**-**	**(115)**	**-**	**34**
In associates						
Docugest SpA[2]	4,330	-	-	527	-	4,857
Telma-Sapienza Scarl[2]	491	-	-	(4)	-	487
Other SDA group associates[3]	19	-	-	(10)	-	9
Total associates	**4,840**	**-**	**-**	**513**	**-**	**5,353**
Total	**9,821**	**219**	**-**	**(218)**	**-**	**9,822**

[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] Measurement using the equity method refers to the financial statements for the year ended 31 December 2011, the latest available.
[3] 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, S.T.E. Srl, T.W.S. Express Courier Srl.

Movements in subsidiaries are described in note 3.2.

A5 - FINANCIAL ASSETS

The following table provides a breakdown of financial assets at 31 December 2013:

tab. A5 - Financial assets
Financial assets

Item	Balance at 31 December 2013			Balance at 31 December 2012		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	642,246	7,187,281	7,829,527	233,497	8,169,747	8,403,244
Held-to-maturity financial assets	13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Available-for-sale financial assets	82,821,059	1,991,878	84,812,937	66,591,102	4,904,175	71,495,277
Financial assets at fair value through profit or loss	8,913,898	1,359,935	10,273,833	9,704,674	258,909	9,963,583
Derivative financial instruments	313,519	15,631	329,150	208,757	28,896	237,653
Total	**106,478,255**	**11,988,354**	**118,466,609**	**88,545,089**	**15,602,736**	**104,147,825**

Financial assets by operating segment

Item	Balance at 31 December 2013			Balance at 31 December 2012		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial services	38,258,628	9,518,942	47,777,570	33,986,854	11,236,832	45,223,686
Loans and receivables	626,477	6,918,904	7,545,381	113,444	7,884,693	7,998,137
Held-to-maturity financial assets	13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Available-for-sale financial assets	23,741,087	1,150,778	24,891,865	21,975,740	1,082,234	23,057,974
Derivative financial instruments	103,531	15,631	119,162	90,611	28,896	119,507
Insurance services	67,609,008	2,045,983	69,654,991	53,935,831	4,071,472	58,007,303
Loans and receivables	-	11,316	11,316	-	675	675
Held-to-maturity financial assets	58,485,122	674,732	59,159,854	44,113,011	3,811,888	47,924,899
Available-for-sale financial assets	8,913,898	1,359,935	10,273,833	9,704,674	258,909	9,963,583
Derivative financial instruments	209,988	-	209,988	118,146	-	118,146
Postal and business services	610,619	423,429	1,034,048	622,404	294,432	916,836
Loans and receivables	15,769	257,061	272,830	120,053	284,379	404,432
Available-for-sale financial assets	594,850	166,368	761,218	502,351	10,053	512,404
Derivative financial instruments	-	-	-	-	-	-
Total	**106,478,255**	**11,988,354**	**118,466,609**	**88,545,089**	**15,602,736**	**104,147,825**

Financial assets by operating segment break down as follows:

- Financial services, relate primarily to the financial assets of BancoPosta RFC[19], 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;
- Postal and Business services, representing all the other financial assets of the Group.

19. 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 must be used to purchase euro zone government securities. Funds deposited by Public Sector entities are placed, instead, with the Ministry of the Economy and Finance 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 (savings books and savings 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, with a delay of two bank working day with respect to the transaction date.

FINANCIAL SERVICES

Loans and receivables

tab. A5.1 - Loans and receivables

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Loans	626,477	90,743	717,220	113,444	67,288	180,732
Receivables	-	6,828,161	6,828,161	-	7,817,405	7,817,405
Amounts deposited with MEF	-	5,078,026	5,078,026	-	5,416,414	5,416,414
MEF on behalf of the Italian Treasury	-	1,008,096	1,008,096	-	1,325,394	1,325,394
Other financial receivables	-	742,039	742,039	-	1,075,597	1,075,597
Total	**626,477**	**6,918,904**	**7,545,381**	**113,444**	**7,884,693**	**7,998,137**

At 31 December 2013, **loans** amounted to €717,220 thousand, relating entirely to BdM-MCC SpA, reflecting loans and financing provided to companies and, marginally, to individuals. The increase on the previous year was due to the use of different distribution channels and through different loan products. The fair value[20] of these loans is €783,895 thousand.

Receivables amounted to €6,828,161 thousand, reflecting:

- **Amounts deposited with the MEF**, totalling €5,078,026 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. During 2013, the Parent Company acquired derivative financial instruments to convert a part of the return on these deposits to a fixed rate. The transaction aims to fix the principal rate of return (the yield on 5-year BTPs) for 2013 through a series of forward purchases of 5-year BTPs, without delivery of the underlying instrument, but with payment of the differential between the fixed price of the instrument and its market value, at the same dates provided for in the agreement with the MEF for resetting the rate in question.
- **MEF on behalf of the Italian Treasury**, amounting to €1,008,096 thousand, consisting of:

tab. A5.1.1 - MEF on behalf of Italian Treasury

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Balance of cash flows for advances	-	1,192,870	1,192,870	-	1,699,094	1,699,094
Balance of cash flows from management of postal savings	-	7,416	7,416	-	(178,678)	(178,678)
Amounts payable due to theft	-	(158,329)	(158,329)	-	(159,708)	(159,708)
Amounts payable for operational risks	-	(33,861)	(33,861)	-	(35,314)	(35,314)
Total	**-**	**1,008,096**	**1,008,096**	**-**	**1,325,394**	**1,325,394**

20. 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.

The balance of cash flows for advances, amounting to €1,192,870 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, breaking down as follows:

tab. A5.1.1 a) - Balance of cash flows for advances

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	-	1,199,227	1,199,227	-	1,700,950	1,700,950
MEF postal current accounts and other payables	-	(672,869)	(672,869)	-	(673,149)	(673,149)
Ministry of Justice - Orders for payment	-	(2,187)	(2,187)	-	697	697
MEF - State pensions	-	668,699	668,699	-	670,596	670,596
Total	**-**	**1,192,870**	**1,192,870**	**-**	**1,699,094**	**1,699,094**

The *balance of cash flows from the management of postal savings*, amounting to €7,416 thousand, represents the balance of deposits less withdrawals during the last two days of the year and cleared early in the following year. The balance at 31 December 2013 consists of €56,024 thousand payable to Cassa Depositi e Prestiti and €63,440 thousand receivable from the MEF for the issue of interest-bearing postal certificates on its behalf.

The Parent Company is liable to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud, totalling €158,329 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

Item	Note	2013	2012
Balance at 1 January		**159,708**	**160,224**
Amounts payable for thefts during the year	[tab. C11]	6,265	6,909
Repayments made		(7,644)	(7,425)
Balance at 31 December		**158,329**	**159,708**

During 2013 Poste Italiane SpA made repayments of €3,702 thousand to the Treasury for thefts that took place up to 31 December 2012, while repayments for thefts occurring in the first half of 2013 totalled €3,818 thousand. A further €124 thousand was repaid following rulings by the Italian Court of Auditors in respect of thefts occurring up to 31 December 1993.

Amounts payable for operational risks (€33,861 thousand) regard the portion of advances obtained to fund the operations of BancoPosta, relating to advances for transactions for which there were insufficient funds, and for which reversal 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

	2013		2012	
Balance at 1 January		**35,314**		**127,514**
New payables for operational risks	3,111		2,272	
Operational risks that did not occur	(3,485)		(2,860)	
		(374)		(588)
Repayments made		(2,729)		(95,226)
Reclassifications from Provisions for disputes		1,650		3,614
Balance at 31 December		**33,861**		**35,314**

- **Other financial receivables,** amounting to €742,039 thousand, consist of:

tab. A5.1.2 - Other financial receivables

Item	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Guarantee deposits	344,365	517,265
Other amounts to be charged to customers	270,491	246,417
Cheques drawn on third parties to be debited to customer accounts	73,180	148,333
BancoPosta ATM withdrawals to be debited to customer accounts	23,727	134,616
Items awaiting settlement with the banking system	20,725	22,060
Other receivables	9,551	6,906
Total	**742,039**	**1,075,597**

Guarantee deposits, totalling €344,365 thousand, relate to sums of €342,945 thousand provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes), and €1,420 thousand provided to counterparties in repo transactions for fixed income securities (collateral provided by specific Global Master Repurchase Agreements).

Other amounts to be charged to customers, amounting to €270,491 thousand, primarily regard the use of debit cards issued by BancoPosta, totalling €144,747 thousand, cheques and other collection items settled in the clearing house of €104,735 thousand, amounts due from commercial partners, totalling €18,099 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

		Balance at 31 December 2013			Balance at 31 December 2012		
Item	Note	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Held-to-maturity financial assets		13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Fixed income instruments	[tab. A5.2.1]	13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Available-for-sale financial assets		23,741,087	1,150,778	24,891,865	21,975,740	1,082,234	23,057,974
Fixed income instruments	[tab. A5.2.1]	23,693,675	1,150,778	24,844,453	21,946,388	1,082,234	23,028,622
Equity instruments		47,412	-	47,412	29,352	-	29,352
Total		**37,528,620**	**2,584,407**	**40,113,027**	**33,782,799**	**3,323,243**	**37,106,042**

Investments in securities relates to investments in Italian government securities with a nominal value of €38,176,560 thousand, held primarily by BancoPosta RFC[21] and to a lesser extent by BdM-MCC SpA and BancoPosta Fondi SpA SGR. Movements in investments in securities in 2012 and 2013 are as follows:

21. The Company is required to invest the funds raised from 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.

tab. A5.2.1 - Movements in investment securities

Securities	HTM Nominal value	HTM Carrying amount	AFS Nominal value	AFS Fair value	FVPL Nominal value	FVPL Fair value	Total Nominal value	Total Carrying amount
Balance at 31 December 2011	**14,237,650**	**14,363,893**	**16,329,913**	**13,962,003**	**-**	**-**	**30,567,563**	**28,325,896**
Purchases		199,674		9,027,622		3,240,395		12,467,691
Transfers to equity		-		(4,621)		-		(4,621)
Change in amortised cost		7,690		46,623		-		54,313
Changes in fair value through equity		-		3,002,359		-		3,002,359
Changes in fair value through profit or loss		-		213,381		-		213,381
Changes in cash flow hedge transactions(*)		-		30,007		-		30,007
Effect of sales on profit or loss		-		50,398		107,826		158,224
Accrued income		220,480		308,156		-		528,636
Sales, redemptions and settlement of accrued income		(743,669)		(3,607,306)		(3,348,221)		(7,699,196)
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**

(*) 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 2013 the fair value[22] of the held-to-maturity portfolio[23], accounted for at amortised cost, is €16,013,783 thousand (including €227,513 thousand in accrued interest).

Securities with a nominal value of €5,196,801 thousand are encumbered as follows:
- €5,090,003 thousand used as collateral for repurchase agreements;
- €106,798 thousand used as collateral for asset swaps.

22. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.
23. Sales and purchases during the year reflect actions taken to adjust the securities portfolio to the estimated structure of the deposit base, as updated over a time horizon reduced from 30 to 20 years, partly as a result of recommendations following a Supervisory Authority inspection.

The fair value of the available-for-sale portfolio is €24,844,453 thousand (including €292,006 thousand in accrued interest). The overall fair value gain of €648,307 thousand for the period was recognised in equity, with the gain on the portion of the portfolio not hedged by fair value hedges (€884,998 thousand) recognised in equity and the loss of €236,691 thousand on the hedged portion through profit or loss.

Securities with a nominal value of €416,746 thousand are encumbered as follows:

- €214,000 thousand used as collateral for repurchase agreements entered into through to 31 December 2013 by the Parent Company and BdM-MCC SpA;
- €200,000 thousand used by BdM-MCC SpA for short-term borrowings from the ECB through open market operations channelled through countries' Central Banks;
- €2,746 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 €45,586 thousand relating to the fair value of 75,628 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 during the period amount to €18,060 thousand and have been recognised in the relevant equity reserve (section B4).

Derivative financial instruments

At 31 December 2013 derivative financial instruments attributable to the Financial services segment, amounting to €119,162 thousand, include €32,087 thousand attributable to BancoPosta RFC and €87,075 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					
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales		Total	
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2012	**800,000**	**(31,281)**	**3,533,750**	**(122,555)**	**3,700,000**	**(389,544)**	**1,050,000**	**5,911**	**-**	**-**	**9,083,750**	**(537,469)**
Increases/(Decreases)(*)	1,625,000	121,303	-	80,400	-	(225,547)	-	60,535	2,225,000	(6,520)	3,850,000	30,171
Discontinued CFHs	(575,000)	(47,858)	-	-	-	-	575,000	47,858	-	-	-	-
Gains/(Losses) through profit or loss(**)	-	-	-	(368)	-	(592)	-	-	-	-	-	(960)
Transactions settled(***)	(1,050,000)	(30,007)	(950,000)	(169,476)	-	11,566	(1,625,000)	(114,304)	(2,225,000)	6,520	(5,850,000)	(295,701)
Balance at 31 December 2012	**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)**
of which												
Derivative assets	-	-	400,000	31,691	200,000	396	-	-	-	-	600,000	32,087
Derivative liabilities	-	-	1,825,000	(103,300)	3,700,000	(367,673)	-	-	-	-	5,525,000	(470,973)

(*) 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 extinguishment 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 €188,215 thousand, which is reflected in the cash flow hedge reserve.

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 an increase in fair value of €221,735 thousand, whilst the hedged securities (tab. A5.2.1) have recorded a fair value loss of €236,691 thousand, with the difference of €14,956 thousand due to paid or accruing differentials.

With regard to derivative financial instruments measured at fair value through profit or loss, the Parent Company made forward purchases and spot sales for a total notional amount of €362,224 thousand to stabilise the return for 2013 on current account deposits of Public Sector entities placed with the MEF, originally earning interest at a variable rate. Overall these transactions have generated a total net gain of €22,329 thousand through profit or loss.

Movements in derivative instruments attributable to BdM-MCC SpA are as follows:

tab. A5.4 - Movements in derivative financial instruments

	Year ended 31 December 2013				Year ended 31 December 2012			
	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	**-**	**107,185**	**-**	**107,185**	**-**	**75,816**	**-**	**75,816**
Increases/(Decreases)	-	(10,241)	13	(10,228)	-	36,872	-	36,872
Gains/(Losses) through profit or loss	-	(4)	-	(4)	-	99	-	99
Transactions settled	-	(9,878)	-	(9,878)	-	(5,602)	-	(5,602)
Balance at 31 December	**-**	**87,062**	**13**	**87,075**	**-**	**107,185**	**-**	**107,185**
of which:								
Derivative assets	-	87,062	13	87,075	-	107,344	6	107,350
Derivative liabilities	-	-	-	-	-	(159)	(6)	(165)

The fair value gain of €87,062 thousand for derivatives designated as fair value hedges refers to the value of five interest rate swap contracts used to hedge bonds issued by BdM-MCC SpA (tab. B8), with a nominal value of €339,072 thousand. These instruments recorded a net fair value loss of €10,400 thousand during the period, whilst the hedged bonds recorded a fair value gain of €20,677 thousand. The difference of €10,277 thousand, due to the differentials for the period, was recognised through profit or loss.
Moreover, there are two additional interest rate swaps treated as derivatives designated as fair value hedges, which recorded a net fair value loss of €159 thousand at 31 December 2012, used previously to hedge existing loans. These swaps were extinguished during the period.

INSURANCE SERVICES

Receivables

Receivables of €11,316 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	Total
	Nominal value	Fair value	Fair value	Fair value	Fair value
Balance at 1 January 2012	**36,351,886**	**33,331,073**	**2,298,275**	**5,583**	**35,634,931**
Purchases		18,333,387	432,941	-	18,766,328
Transfers to equity		206,479	61,880	553	268,912
Changes in amortised cost		150,749	-	-	150,749
Fair value gains and losses through equity		4,916,828	139,443	(3)	5,056,268
Transfers to profit or loss		143,364	(76,620)	(331)	66,413
Accrued income		80,846	-	-	80,846
Sales, redemptions and settlement of accrued income		(11,410,522)	(687,750)	(1,276)	(12,099,548)
Balance at 31 December 2012	**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**

The Group recorded fair value gains of €1,218,565 thousand in relation to its available-for-sale financial assets, as follows:
- net gains of €1,216,802 thousand deriving from the measurement of securities held by Poste Vita SpA, of which €1,145,079 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 €1,763 thousand.

The above changes in the fair value of available-for-sale financial assets during 2013 had a net positive impact on the relevant equity reserve of €73,486 thousand (tab. B4).

Fixed income instruments relate primarily to investments held by Poste Vita SpA, totalling €57,531,895 thousand, including listed instruments with a nominal value of €56,682,450 thousand, issued by European governments and European blue-chip companies, and unlisted instruments with a nominal value of €1,137,700 thousand. 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. Unlisted fixed income instruments comprise specific bonds issued in a private placement by CDP SpA, with a fair value of €2,158,546 thousand (a nominal value of €2,113,700 thousand).
The remaining balance is represented by the fair value of fixed income instruments, totalling €85,764 thousand, held by Poste Assicura SpA.

Other investments relate to units of mutual investment funds, totalling €1,536,911 thousand, of which €1,165,886 thousand consists of equity funds, €371,025 thousand of bond funds subscribed to entirely by Poste Vita SpA and allocated to the insurance company's separately managed accounts.

Equity instruments relate to the investments held by Poste Vita SpA, totalling €5,284 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 2012	**5,572,909**	**4,063,829**	**4,624,381**	**4,874,775**	**702,851**	**9,641,455**
Purchases		6,845,729		-	-	6,845,729
Fair value gains and losses through profit or loss		934,364		356,976	45,071	1,336,411
Accrued income		1,094		-	-	1,094
Effect of sales on profit or loss		9,332		57,029	916	67,277
Sales/Settlement of accrued income		(5,701,795)		(2,186,429)	(40,159)	(7,928,383)
Balance at 31 December 2012	**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		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**

These financial instruments are held by the subsidiary, Poste Vita SpA, and relate to:
- **fixed income securities** amounting to €6,560,746 thousand, consisting of €5,888,910 thousand in coupon stripped BTPs acquired to cover the contractual obligations arising on Branch III insurance policies, while the balance of €671,836 thousand is primarily made up of corporate bonds issued by blue-chip companies and primarily linked to separately managed accounts;
- **structured bonds** amounting to €2,983,252 thousand, relating to investments whose returns are linked to a particular market index, primarily designed to cover the insurance obligations to the holders of Branch III index-linked policies; during the year under review Poste Vita SpA subscribed to newly-issued bonds by CDP SpA with a nominal amount of €500,000 (a fair value of €501,950 thousand);
- **other investments** amounting to €729,835 thousand, relating to units of mutual investment funds primarily acquired to cover contractual obligations to the holders of Branch III unit-linked policies.

Derivative financial instruments

At 31 December 2013, outstanding instruments primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Branch III policies. Movements in derivative financial instruments accounted for at fair value through profit or loss in 2013 are as follows:

tab. A5.7 - Movements in financial assets at fair value through profit or loss

	Forward purchase of Government bonds	Forward purchase of warrants	Warrants	Total
Balance at 31 December 2011	**(7,720)**	**(954)**	**69,344**	**60,670**
Purchases	16,952	14,572	34,691	66,215
Fair value gains and losses	15,963	436	14,111	30,510
Transactions settled	(25,195)	(14,054)	-	(39,249)
Balance at 31 December 2012	**-**	**-**	**118,146**	**118,146**
Purchases	-	-	-	
Fair value gains and losses	-	-	91,842	91,842
Transactions settled	-	-	-	-
Balance at 31 December 2013	**-**	**-**	**209,988**	**209,988**
of which:				
Derivative assets	-	-	209,988	209,988
Derivative liabilities	-	-	-	-

At 31 December 2013 the Group's position in warrants is represented by financial instruments with a fair value of €209,988 thousand and a total nominal value of €6,058 million, as follows:

tab. A5.7.1 - Warrants

	At 31 December 2013		At 31 December 2012	
Policy	Nominal value	Fair value	Nominal value	Fair value
Alba	787,244	16,320	787,244	9,250
Terra	1,470,339	26,628	1,470,339	13,836
Quarzo	1,381,607	27,273	1,381,607	13,194
Titanium	721,107	31,664	721,107	18,302
Arco	200,000	28,160	200,000	15,120
Prisma	197,421	23,495	197,421	13,683
6Speciale	200,000	240	200,000	1,584
6Avanti	200,000	220	200,000	1,352
6Sereno	200,000	14,010	200,000	8,410
Primula	200,000	13,054	200,000	7,690
Top5	250,000	13,300	250,000	6,325
Top5 edizione II	250,000	15,625	250,000	9,400
Total	**6,057,718**	**209,988**	**6,057,718**	**118,146**

POSTAL AND BUSINESS SERVICES

Loans and receivables

Loans of €5,638 thousand include €5,483 thousand relating to the balance of the intercompany account between the Parent Company and Poste Tributi ScpA, consolidated using the equity method.

Receivables, almost entirely attributable to the Parent Company, break down as follows:

tab. A5.8 - Receivables

	Balance at 31 December 2013			Balance at 31 December 2012		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from MEF	3,059	221,828	224,887	107,052	246,968	354,020
repayment of loans accounted for in liabilities	3,059	218,198	221,257	107,052	246,968	354,020
repayment of interest on loan Law 887/84	-	3,630	3,630	-	-	-
Guarantee deposits	-	29,595	29,595	-	37,150	37,150
Due from the purchasers of service accommodation	12,705	-	12,705	12,999	-	12,999
Due from others	5	391	396	2	596	598
Provisions for doutful debts	-	(391)	(391)	-	(476)	(476)
Total	**15,769**	**251,423**	**267,192**	**120,053**	**284,238**	**404,291**

The amount **due from the MEF** of €221,257 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, were posted in the accounts. This receivable is non-interest-bearing because it is linked to loans whose principal is ultimately repayable by the state and is repayable according to the repayment schedule of the loans. Poste Italiane SpA is liable for interest expense through to maturity. This receivable (with a fair value[24] of €224,987 thousand at 31 December 2013) is represented by the amortised cost[25] of the receivable with a nominal value of €226,417 thousand, which is expected to be collected by 2016. The difference of €109,441 thousand between the nominal value of the receivable and the nominal value of the payable of €116,976 thousand (tab.B8), corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2013, which was collected in full in February 2014.

Guarantee deposits of €29,595 thousand relate to €26,780 thousand deposited with counterparties with whom the Company has entered into asset swaps and €2,815 thousand with counterparties with whom repurchase agreements involving fixed income securities are in place.

24. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
25. 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

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	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2012	**500,000**	**428,945**	**98,550**	**98,158**	**5,312**	**532,415**
Purchases		-		-	10	10
Redemptions		-		(93,550)	-	(93,550)
Transfers to equity reserves		-		-	-	-
Changes in amortised cost		333		-	-	333
Fair value gains and losses through equity		44,555		48	-	44,603
Fair value gains and losses through profit or loss		28,973		-	-	28,973
Effects of sales on profit or loss		-		-	-	-
Accrued income		5,807		-	-	5,807
Sales and settlement of accrued income		(5,776)		(411)	-	(6,187)
Balance at 31 December 2012	**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**

Fixed income instruments regard BTPs with a total nominal value of €650,000 thousand (a fair value of €675,895 thousand), including €150,000 thousand acquired during 2013. 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 €5,002 thousand.
Equity instruments include the cost of €75,000 thousand incurred to acquire a 19.48% equity interest in Alitalia SpA on 23 December 2013, following a new share issue approved by the company's shareholders at the extraordinary General Meeting held on 14 and 15 October 2013[26].

26. At 31 December 2013, in connection with the capital increase, Poste Italiane SpA's equity interest temporarily reached 20.88%, which was eventually diluted in January 2014 as a result of the conversion of a subordinated loan, as already known at the time of the investment.

Derivative financial instruments

Movements in derivative assets and liabilities are as follows:

tab. A5.10 - Movements in derivative financial instruments

	2013				2012			
	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	**-**	**(40,074)**	**-**	**(40,074)**	**27**	**(9,531)**	**-**	**(9,504)**
Increases/(Decreases)	-	6,885	(337)	6,548	(28)	(34,348)	-	(34,376)
Gains/(Losses) through profit or loss	-	25	-	25	6	7	-	13
Transactions settled	-	7,988	-	7,988	(5)	3,798	-	3,793
Balance at 31 December	**-**	**(25,176)**	**(337)**	**(25,513)**	**-**	**(40,074)**	**-**	**(40,074)**
of which:								
Derivative assets	-	-	-	-	-	-	-	-
Derivative liabilities	-	(25,176)	(337)	(25,513)	-	(40,074)	-	(40,074)

At 31 December 2013 the derivative financial instruments held by the Parent Company, with fair value losses of €25,513 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 2013 net inventories break down as follows:

tab. A6 - Inventories

	Balance at 31 December 2012	Increase/ (Decrease)	Reclassifications	Balance at 31 December 2013
Properties held for sale	25,822	2,593	85,513	113,928
Work in progress, semi-finished and finished good and goods for resale	19,934	(1,438)	-	18,496
Raw, ancillary and consumable materials	13,214	(560)	-	12,654
Total	**58,970**	**595**	**85,513**	**145,078**

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[27] at 31 December 2013 amounts to approximately €344 million. The reclassification of €85,513 thousand is attributable to the transfer of certain items of property from investment property to property, plant and equipment;
- 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 as well as goods owned by the Parent Company on sale in Post Offices.

27. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

A7 - TRADE RECEIVABLES

Trade receivables break down as follows:

tab. A7 - Trade receivables

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Customers	108,747	2,564,722	2,673,469	152,410	2,725,092	2,877,502
MEF	-	1,054,307	1,054,307	-	1,039,348	1,039,348
Subsidiaries	-	10,174	10,174	-	8,823	8,823
Associates	-	7,314	7,314	-	7,802	7,802
Joint ventures	-	129	129	-	65	65
Prepayments to suppliers	-	493	493	-	232	232
Total	**108,747**	**3,637,139**	**3,745,886**	**152,410**	**3,781,362**	**3,933,772**

Receivables due from customers

tab. A7.1 - Receivables due from customers

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	893,418	893,418	-	948,046	948,046
Ministries and Public Sector entities	108,311	655,887	764,198	148,559	709,655	858,214
Unfranked mail delivered and other value added services	21,114	417,156	438,270	23,114	465,588	488,702
Overseas counterparties	-	198,344	198,344	-	217,495	217,495
Parcel express courier and express parcel services	-	189,807	189,807	-	176,322	176,322
Overdrawn current accounts	-	140,431	140,431	-	125,875	125,875
Amounts due for other BancoPosta services	-	80,898	80,898	-	95,702	95,702
Amounts due for management of government subsidies	-	43,426	43,426	-	44,316	44,316
Property management	-	5,934	5,934	-	8,626	8,626
Other trade receivables	179	368,721	368,900	3,338	335,209	338,547
Provisions for doubtful debts	(20,857)	(429,300)	(450,157)	(22,601)	(401,742)	(424,343)
Total	**108,747**	**2,564,722**	**2,673,469**	**152,410**	**2,725,092**	**2,877,502**

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:
  - *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office - Publishing department), attributable to the Parent Company, totalling €144,700 thousand, corresponding to a nominal value of €153,965 thousand, and re-

lating 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 and the best information available. For this reason the sum of €92,337 thousand (corresponding to a nominal value of €101,602 thousand) is classified in "Non-current assets";
- *Istituto Nazionale per la Previdenza Sociale* (*INPS*, the National Institute of Social Security): €90,280 thousand, of which €87,460 thousand due for the payment of pensions by BancoPosta and other employment-related payment services;
- *Ministero dello Sviluppo Economico* (Ministry for Economic Development): €68,779 thousand due to the Parent Company, including €64,082 thousand as reimbursement of the costs associated with the management of property, vehicles and security, of which €3,212 thousand relates to the amount accrued during the year;
- Tax authorities: €52,449 thousand due to the Parent Company, including mainly: the delivery of unfranked mail (€24,994 thousand), integrated mail management (€7,395 thousand), tax refunds (€8,894 thousand);
- *Ministero della Giustizia* (Ministry of Justice): €51,734 thousand payable to the Parent Company, primarily for the delivery of administrative notices (€29,525 thousand) and for the payment service provided by BancoPosta for legal system expenses (€19,137 thousand);
- *Comune di Milano* (Municipality of Milan): €36,032 thousand due to the Parent Company, primarily for the delivery of administrative notices;
- *Ministero dell'Interno* (Ministry of Internal Affairs): €30,170 thousand due to the Parent Company, primarily for the delivery of administrative notices;
- Equitalia Group: €26,311 thousand due to the Parent Company, including €23,724 thousand for the notification of tax assessments.

- 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 €198,065 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 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 €47,935.
- Other **trade receivables** include mainly: €39,538 thousand for Advice and Billing Mail, €32,012 thousand related to *Posta Target* services, €27,925 thousand for telegraphic services, and €18,507 thousand related to the *Posta Service* service.

Movements in **provisions for doubtful debts** are as follows:

tab. A7.2 - Movements in provisions for doubtful debts

Item	Balance at 1 Jan 2012	Net provision	Deferred revenues	Uses	Change in scope of consolidation	Balance at 31 Dec 2012	Net provision	Deferred revenues	Uses	Balance at 31 Dec 2013
Overseas postal operators	7,095	(3,539)	-	-	-	3,556	4,540	-	-	8,096
Public Sector entities	140,697	16,278	3,212	(102)	-	160,085	(980)	3,212	(20,681)	141,636
Private customers	231,284	26,314	-	(11,461)	(1,350)	244,787	40,875	-	(2,804)	282,858
	379,076	**39,053**	**3,212**	**(11,563)**	**(1,350)**	**408,428**	**44,435**	**3,212**	**(23,485)**	**432,590**
Interest on late payments	12,173	7,941	-	(4,199)	-	15,915	7,175	-	(5,523)	17,567
Total	**391,249**	**46,994**	**3,212**	**(15,762)**	**(1,350)**	**424,343**	**51,610**	**3,212**	**(29,008)**	**450,157**

Provisions regarding amounts due from 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. Use refers mainly to reclassifications.
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 2013	Balance at 31 December 2012
Universal Service compensation	751,101	645,294
Publisher tariff and electoral subsidies	156,032	159,924
Remuneration of current account deposits	150,365	249,040
Payment for delegated services	36,418	36,322
Payment for distribution of euro coins	6,026	6,026
Other	4,419	4,690
Provisions for doubtful debts due from the MEF	(50,054)	(61,948)
Total	**1,054,307**	**1,039,348**

Specifically:

- **Universal Service compensation** includes €342,820 thousand accrued for the year under review, €349,888 thousand 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 payments due in relation to 2005.
- **Electoral subsidies** include €56,149 accruing in 2013, with the remainder attributable to previous years.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2013 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 for treasury services performed by BancoPosta on behalf of the State in accordance with a special agreement with the MEF that expired on 31 December 2013. €28,446 thousand relates to amounts accruing in 2013, whilst the balance of €7,972 thousand relates to amounts due for 2008 and 2007.

At 31 December 2013, 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 Jan 2012	Provisions/ (Reversals)	Deferred revenues	Uses	Balance at 31 Dec 2012	Provisions/ (Reversals)	Deferred revenues	Uses	Balance at 31 Dec 2013
Provisions for doubtful debts	82,712	(9,045)	-	(11,719)	61,948	(11,894)	--	-	50,054

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 based on the related financial impact. During 2013 part of these provisions was released to profit or loss due to the likely collection of receivables that had been considered doubtful.

Receivables due from subsidiaries

Trade receivables due from subsidiaries accounted for using the equity method are as follows:

tab. A7.5 - Receivables due from subsidiaries

Name	Balance at 31 December 2013	Balance at 31 December 2012
Poste Tributi ScpA	8,560	8,245
PatentiViaPoste ScpA	1,331	-
Docutel SpA	-	371
Kipoint SpA	166	104
Address Software Srl	117	103
Total	**10,174**	**8,823**

Receivables due from associates

These receivables amount to €7,314 thousand and relate primarily to amounts due from Docugest SpA.

A8 - OTHER RECEIVABLES AND ASSETS

This item breaks down as follows:

tab. A8 - Other receivables and assets

Item	Notes	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Substitute tax paid		1,325,617	540,607	1,866,224	925,785	422,117	1,347,902
Receivable from fixed-term contract settlements		191,513	106,458	297,971	225,917	88,027	313,944
Amounts due from social security agencies and pension funds (excluding fixed-term contracts settlements)		-	78,340	78,340	-	90,153	90,153
Amounts that cannot be drawn on due to court rulings		-	64,425	64,425	-	85,528	85,528
Technical provisions attributable to reinsurers		40,340	-	40,340	27,948	-	27,948
Accrued income and prepaid expenses from trading transactions		802	15,558	16,360	1,637	15,896	17,533
Tax assets		-	12,680	12,680	-	10,473	10,473
Other amounts due from associates		-	44	44	-	44	44
Other amounts due from subsidiaries		-	29	29	-	322	322
Sundry receivables		9,927	113,259	123,186	9,842	123,188	133,030
Provisions for doubtful debts due from others		(24)	(52,576)	(52,600)	(1,268)	(56,092)	(57,360)
Other receivables and assets		**1,568,175**	**878,824**	**2,446,999**	**1,189,861**	**779,656**	**1,969,517**
Interest accrued on IRES refund	[C12]	-	59,576	59,576	-	-	-
Total		**1,568,175**	**938,400**	**2,506,575**	**1,189,861**	**779,656**	**1,969,517**

Specifically:

- **Substitute tax paid** refers mainly to:
  - €926,629 thousand paid in advance by Poste Vita SpA for the financial years 2009-2013, relating to withholding and substitute tax paid on capital gains on life policies[28];
  - €398,866 thousand charged to holder of interest-bearing postal savings certificates and Branch III and V insurance policies for stamp duty at 31 December 2013[29]. This amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the interest-bearing postal savings certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);

28. Of the total amount, €282,295 thousand, assessed on the basis of provisions at 31 December 2013, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).
29. Introduced by art. 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 art. 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).

- €268,741 thousand relating to stamp duty to be paid in virtual form in 2014 and to be charged to customers;
- €162,625 thousand relating to stamp duty to be charged to postal savings book holders, which Poste Italiane SpA pays in virtual form as required by law;
- €48,570 thousand to withholding tax on interest paid to current account holders for 2013, which is to be recovered from customers.

• 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 €297,971 thousand due 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 €51,346 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 currently deposited with an overseas bank, which 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 doubtful debts due from others

Item	Balance at 1 Jan 2012	Balance at provisions	Net Uses	Balance at 31 Dec 2012	Net provisions	Uses	Balance at 31 Dec 2013
Public sector entities for sundry services	10,354	(6,857)	(293)	3,204	(81)	(1,201)	1,922
Receivables from fixed-term contract settlements	2,189	-	-	2,189	3,724	-	5,913
Other receivables	43,163	9,814	(1,010)	51,967	(6,308)	(894)	44,765
Total	**55,706**	**2,957**	**(1,303)**	**57,360**	**(2,665)**	**(2,095)**	**52,600**

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 2013	Balance at 31 December 2012
Cash and cash equivalents in hand	2,596,677	2,474,212
Cheques	50	798
Bank deposits	482,966	704,691
Total	**3,079,693**	**3,179,701**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (interest-bearing postal certificates and post office 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 (€940,216 thousand) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€1,656,461 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 €473,314 thousand.

A10 - CASH AND CASH EQUIVALENTS

tab. A10 - Cash and cash equivalents

Item	Balance at 31 December 2013	Balance at 31 December 2012
Bank deposits and amounts held at the Italian Treasury	905,474	1,125,614
Deposits with the MEF	529,414	1,397,125
Cash and cash equivalents in hand	10,446	10,584
Total	**1,445,334**	**2,533,323**

At 31 December 2013 **deposits with the MEF** – held in the so-called buffer account – include approximately €262,157 thousand in customers' deposits subject to investment restrictions but not yet invested.
Bank deposits and amounts held at the Italian Treasury include €13,545 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

	For the year ended 31 December 2013	For the year ended 31 December 2012
Balance at 1 January		
Cost	225	16,752
Accumulated depreciation	(96)	(6,652)
Impairments	-	(465)
Carrying amount	**129**	**9,635**
Movements during the year		
Reclassifications of non-current assets(1)	-	(6,320)
Disposals(2)	(129)	(3,186)
Total movements	**(129)**	**(9,506)**
Balance at 31 December		
Cost	-	225
Accumulated depreciation	-	(96)
Carrying amount	**-**	**129**
Reclassifications(1)		
Cost	-	(12,244)
Accumulated depreciation	-	5,459
Impairments	-	465
Total	**-**	**(6,320)**
Disposals(2)		
Cost	(225)	(4,283)
Accumulated depreciation	96	1,097
Total	**(129)**	**(3,186)**

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 2013 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 Dec 2013	Changes in equity 2013	Profit/(Loss) for 2013	Equity at 31 Dec 2012	Changes in equity 2012	Profit/(Loss) for 2012	Equity at 1 Jan 2012
Financial statements of Poste Italiane SpA	**5,430,206**	**409,248**	**708,088**	**4,312,870**	**1,588,812**	**722,245**	**2,001,813**
- Undistributed profit/(loss) of investee companies	1,510,391	-	278,181	1,232,210	-	257,832	974,378
- Investments accounted for using the equity method	1,195	-	157	1,038	-	(218)	1,256
- Balance of FV and CHF reserves of investee companies	126,061	49,413	-	76,648	186,557	-	(109,909)
- Actuarial gains and losses on employee termination benefits of investee companies	(1,401)	2,240	-	(3,641)	(5,537)	-	1,896
- Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA(*)	(29,231)	-	(10,668)	(18,563)	-	(6,066)	(12,497)
- Effects of contributions and transfers of business units between Group companies:							
SDA Express Courier SpA	2,269	-	-	2,269	-	31,131	(28,862)
EGI SpA	(62,424)	-	500	(62,924)	-	1,212	(64,136)
Postel SpA	16,388	-	291	16,097	-	307	15,790
PosteShop SpA	664	-	-	664	-	-	664
- Effects of intercompany transactions	(11,316)	-	-	(11,316)	-	-	(11,316)
- Elimination of adjustments to value of consolidated companies	250,100	-	27,728	222,372	-	61,440	160,932
- Amortisation until1 January 2004/Impairment of goodwill arising from consolidation	(126,673)	-	-	(126,673)	-	(42,255)	(84,418)
- Effects of tax consolidation arrangement	-	-	(1,020)	1,020	-	1,020	-
- Other consolidation adjustments	10,075	-	1,620	8,455	-	5,844	2,611
Equity attributable to owners of the Parent	**7,116,304**	**460,901**	**1,004,877**	**5,650,526**	**1,769,832**	**1,032,492**	**2,848,202**
- Non-controlling interests (excluding profit/(loss))	-	-	-	-	(13)	-	13
- Non-controlling interests in profit/(loss)	-	-	-	-	-	-	-
Non-controlling interests in equity	**-**	**-**	**-**	**-**	**(13)**	**-**	**13**
Total consolidated equity	**7,116,304**	**460,901**	**1,004,877**	**5,650,526**	**1,769,819**	**1,032,492**	**2,848,215**

(*) This adjustment relates to deferment of fees payable for the distribution by Poste Vita SpA of certain Life products and by Poste Assicura SpA of Non-life products. As distribution takes place via Poste Italiane SpA's network, the deferment is eliminated.

B2 - SHAREHOLDER TRANSACTIONS

As decided by the General Meeting of shareholders held on 8 May 2013, the Parent Company paid dividends totalling €250,000 thousand in June, based on a dividend per share of €0.19.
The other shareholder transactions of €568,407 thousand, as shown in the statement of changes in equity, refer to 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. 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 art. 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".
As the payment of the sums under the Decision of 2008 was 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 at 31 December 2013.
The interest income component of €125,183 thousand, included in the sum due from the MEF, entailed recognition of a current tax liability of €34,425 thousand and deferred tax assets of the same amount. The relevant effects have been recognised in retained earnings.

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 2013 or at 31 December 2012.

B4 - RESERVES

tab. B4 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2012	**225,939**	**1,000,000**	**(2,136,546)**	**(185,949)**	**(1,096,556)**
Increases/(Decreases) in fair value during the year	-	-	3,336,192	201,675	3,537,867
Tax effect of changes in fair value	-	-	(1,076,665)	(65,115)	(1,141,780)
Transfers to profit or loss	-	-	7,923	(111,627)	(103,704)
Tax effect of transfers to profit or loss	-	-	(4,663)	35,796	31,133
Gains/(Losses) recognised in equity	-	-	2,262,787	60,729	2,323,516
Attribution of profit for 2011	37,183	-	-	-	37,183
Balance at 31 December 2012	**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**

Details are as follows:

- The **fair value reserve** regards changes in the fair value of available-for-sale financial assets, for which, during 2013, fair value gains totalling €1,010,048 thousand regarded:
  - €903,058 thousand regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Financial services segment, consisting of €884,998 thousand in gains on securities and €18,060 thousand in gains on equity instruments;
  - €73,486 thousand regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Insurance services segment;
  - €33,504 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 2013 net fair value gains of €188,215 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 2013	Balance at 31 December 2012
Mathematical provisions	55,727,086	45,063,389
Outstanding claims provisions	229,344	204,395
Technical provisions where investment risk is transferred to policyholders	9,190,177	9,640,057
Other provisions	2,795,857	1,820,138
for operating costs	72,226	84,230
for deferred liabilities to policyholders	2,723,631	1,735,908
Technical provisions for claims	62,522	43,064
Total	**68,004,986**	**56,771,043**

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 2013 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
Movements in provisions for risks and charges in the year ended 31 December 2013

Item	Balance at 31 Dec 2012	Provisions	Finance cost	Released to profit or loss	Uses	Change in the scope of consolidation	Balance at 31 Dec 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.

Movements in provisions for risks and charges for the year ended 31 December 2012

Item	Balance at 31 Dec 2012	Provisions	Finance cost	Released to profit or loss	Uses	Change in the scope of consolidation	Balance at 31 Dec 2013
Provisions for non-recurring chanrges	242,380	18,066	-	(18,963)	(21,903)	-	219,580
Provisions for disputes with third parties	343,473	108,852	1,569	(49,452)	(37,271)	(19)	367,152
Provisions for disputes with staff[1]	471,262	125,120	-	(141,698)	(100,901)	-	353,783
Provisions for personnel expenses	361,320	131,558	-	(67,529)	(248,050)	-	177,299
Provisions for restructuring charges	-	190,000	-	-	-	-	190,000
Provisions for expired and statute barred postal savings certificates	12,349	-	509	-	(201)	-	12,657
Provisions for taxation/social security contributions[2]	12,285	3,360	13	-	(411)	-	15,247
Other provisions	105,994	7,076	-	(25,200)	(11,854)	(54)	75,962
Total	**1,549,063**	**584,032**	**2,091**	**(302,842)**	**(420,591)**	**(73)**	**1,411,680**
Overall analysis of provisions:							
- non-current portion	540,010						538,879
- current portion	1,009,053						872,801
	1,549,063						**1,411,680**

(1) Net releases for personnel expenses total €28,613 thousand. Service costs (legal assistance) total €12,035 thousand.
(2) Including €70 thosuand in taxation for the period.

Specifically:

- **Provisions for non-recurring charges** relate to operational risks arising on the Group's financial and insurance 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. Uses of €32,268 thousand refer to liabilities identified or settled during the year. Releases to profit or loss, amounting to €6,840 thousand, relate to contingent liabilities 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 €83,437 thousand reflect the estimated value of new liabilities measured on the basis of expected outcomes. A reduction of €81,962 thousand relates to the reversal of contingent liabilities, whilst a reduction of €23,259 thousand regards the value of disputes settled. Releases in 2013 included €39 million related to the positive decision of the Council of State, which on 9 January 2014 found in favour of Poste Italiane SpA in its challenge to the investigation initiated by the Italian Antitrust Authority on 15 October 2009, regarding deregulated postal services (note 6 - Proceedings pending and relations with the authorities).
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €59,786 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 €61,020 thousand regard amounts used to cover the cost of settling disputes, including €1,658 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 €61,274 thousand to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€27,810 thousand) and settled disputes (€102,896 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 2014. Provisions of €190,000 were used during the period under review.
- **Provisions for expired and statute barred postal savings 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 2013 the provisions represent the present value of total liabilities, based on a nominal value of €21,644 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 2013:

tab. B7 - Movements in provisions for employee termination benefits and pension plans

	2013			2012		
	Employee termination benefits	Pension plans	Total	Employee termination benefits	Pension plans	Total
Balance at 1 January	**1,436,477**	**3,656**	**1,440,133**	**1,192,570**	**3,699**	**1,196,269**
Change in scope of consolidation	-	-	-	1,129	-	1,129
Current service cost	967	-	967	733	-	733
Interest component	42,735	101	42,836	57,806	158	57,964
Effect of actuarial gains/(losses)	(81,460)	(125)	(81,585)	279,914	196	280,110
Uses for the year	(72,675)	(371)	(73,046)	(95,675)	(397)	(96,072)
Reductions due to fixed-term contract settlements of 2012 and 2013	(181)	-	(181)	-	-	-
Re-alignment fixed-term contract settlements of 2008 and 2010	10,753	-	10,753	-	-	-
Balance at 31 December	**1,336,616**	**3,261**	**1,339,877**	**1,436,477**	**3,656**	**1,440,133**

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 amount to €73,046 thousand, of which €70,148 thousand relates to benefits paid and €2,898 thousand to substitute tax.
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 2013	At 30 June 2013	At 31 December 2012
Discount rate	3.17%	3.12%	2.69%
Inflation rate	2.00%	2.00%	2.00%
Annual rate of increase in employee termination benefits	3.00%	3.00%	3.00%

tab. B7.2 - Demographic assumptions

	31 December 2013
Mortality	RG48
Disability	INPS table by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains are generated by the following factors:

tab. B7.3 - Actuarial gains and losses

	Employee termination benefits at 31 Dec 2013	Pension plans at 31 Dec 2013	Employee termination benefits at 31 Dec 2012	Pension plans at 31 Dec 2012
Change in demographic assumptions	-	-	(3,469)	-
Change in financial assumptions	(68,443)	(129)	282,414	432
Other experience-related adjustments	(13,017)	4	969	(236)
Total	**(81,460)**	**(125)**	**279,914**	**196**

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 2013	Pension plans at 31 December 2013
Inflation rate +0.25%	1,359,253	3,307
Inflation rate -0.25%	1,314,468	3,217
Discount rate +0.25%	1,303,921	3,200
Discount rate -0.25%	1,370,355	3,525
Turnover rate +0.25%	1,337,919	-
Turnover rate -0.25%	1,335,280	-

The following table solely concerns employee termination benefits.

tab. B7.5 - Other information

	At 31 December 2013
Service cost for 2014	848
Average duration of defined benefit plan	10.8
Average employee turnover	0.64%

B8 - FINANCIAL LIABILITIES

Financial liabilities break down as follows at 31 December 2013:

tab. B8 - Financial liabilities

Item	Balance at 31 December 2013			Balance at 31 December 2012		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	-	41,041,086	41,041,086	-	39,920,303	39,920,303
Borrowings	5,427,693	2,530,254	7,957,947	5,203,205	2,709,259	7,912,464
Bonds	1,208,301	71,227	1,279,528	470,556	164,691	635,247
Financial institutions borrowings	4,206,965	2,339,449	6,546,414	4,604,770	2,432,479	7,037,249
Other borrowings	3,381	113,594	116,975	116,975	109,442	226,417
Finance leases	9,046	5,984	15,030	10,904	2,647	13,551
Derivative financial instruments	500,174	(3,689)	496,485	863,741	(7,387)	856,354
Cash flow hedges	116,129	(12,828)	103,301	228,436	(16,437)	211,999
Fair value hedges	383,763	9,085	392,848	635,305	9,044	644,349
Fair value through profit or loss	282	54	336	-	6	6
Financial liabilities due to subsidiaries	-	-	-	-	551	551
Other financial liabilities	457	2,274,330	2,274,787	660	2,468,157	2,468,817
Total	**5,928,324**	**45,841,981**	**51,770,305**	**6,067,606**	**45,090,883**	**51,158,489**

Payables deriving from postal current accounts

Payables deriving from postal current accounts represent BancoPosta's direct deposits, and include interest accrued at 31 December 2013, which was settled with customers in January 2014.

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 rating.

Bonds

Bonds consist of the following:

- Two issues by Poste Italiane SpA 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 an institutional offering at a price below par of €99.66 on 18 June. 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[30] of this borrowing at 31 December 2013 is €774,863 thousand.

30. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

- 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, while 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 interest rate risk exposure was hedged as described in section A5; the fair value[31] of this liability at 31 December 2013 is €49,165 thousand.

- Five bonds issued by BdM-MCC SpA between 1998 and 1999, listed on the MOT. These bonds carry variable rates or simulate variable rate bonds through the use of fair value hedges, have a nominal value of €487,509 thousand and outstanding principal at the end of the period of €404,526 thousand. As a result of the above fair value hedges, at 31 December 2013 the carrying amount of the bonds reflects a fair value adjustment of €58,295 thousand. The total fair value[32] of these bonds at 31 December 2013 is €418,418 thousand.

Financial institutions borrowings

This item primarily relates to the Parent Company and breaks down as follows:

tab. B8.1 - Financial institutions borrowings

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	3,768,590	1,908,081	5,676,671	4,200,000	1,854,686	6,054,686
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	2,323	2,002	4,325	4,325	5,169	9,494
Short-term ECB loan	-	200,000	200,000	-	-	-
Other borrowings(*)	36,052	221,464	257,516	445	304,686	305,131
Variable rate loan from DEPFA Bank maturing 30 September 2013	-	-	-	-	250,000	250,000
Current account overdrafts	-	4,925	4,925	-	14,792	14,792
Accrued interest expense	-	2,977	2,977	-	3,146	3,146
Total	**4,206,965**	**2,339,449**	**6,546,414**	**4,604,770**	**2,432,479**	**7,037,249**

(*) Include €41,016 thousand in loans provided by Cassa Depositi e Prestiti SpA to BdM-MCC SpA; the fair value of these borrowings amounts to €38,089 thousand and qualifies for level 3 of the fair value hierarchy.

Financial institutions borrowings are subject to standard negative pledge clauses[33].

31. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
32. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 3.
33. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with the pre-existing creditors, unless the same degree of protection is offered to them also.

Outstanding liabilities for repurchase agreements at 31 December 2013 amount to €5,676,671 thousand and relate to contracts with a total nominal value of €5,640,888 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[34], 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 the objective to refinance early BancoPosta's investments maturing in the following three years. In particular:
  - €2,502,983 thousand is due to Banca IMI SpA, to be repaid as a bullet in February 2015, with optional prepayments each month from the second year;
  - €1,729,856 thousand is a loan obtained from Cassa Depositi e Prestiti, repayable in two instalments of €814,050 thousand and €915,806 thousand on 6 August 2014 and 26 February 2015, respectively. The first instalment of €812,322 for this loan was paid in September 2013.
- €690,141 thousand relates to ordinary funding by BancoPosta RFC via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investment and short- to medium-term movements in current account deposits by BancoPosta's private customers.
- €677,102 thousand relates to transactions entered into to optimise profitability and to meet the Parent Company's short-term liquidity requirements.
- €76,589 thousand refers to very-short-term transactions undertaken by BdM-MCC SpA in relation to liquidity requirements.

At 31 December 2013 the fair value[35] of repurchase agreements amounts to €5,697,287 thousand.
The fair value[36] of the two fixed-rate EIB loans of €400,000 thousand is €413,643 thousand.

Other borrowings

These reflect the fixed rate loans obtained by the Parent Company from Cassa Depositi e Prestiti. 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 (tab A5.8). At 31 December 2013, these borrowings had a fair value[37] of €121,727 thousand.

Finance leases

These reflect the outstanding principal due under finance lease agreements for fixed assets, as shown in the following table.

tab. B8.2 - Reconciliation of total future payments and their present value

	At 31 December 2013		
Item	Instalments from 1 Jan 2014 until expiration	Interest	Present value
Properties used in operations	9,856	1,153	8,703
Other assets	31	1	30
Industrial patents, intellectual property rights, concessions, licences, trademarks and similar	6,738	441	6,297
Total	**16,625**	**1,595**	**15,030**

34. The "REFI rate" or "refinancing operations rate" is the variable interest rate that banks are required to pay when they borrow from the ECB.
35. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
36. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
37. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

tab. B8.3. - Term to maturity of finance lease liabilities

	At 31 December 2013			
Item	within 12 months	1-5 years	after 5 years	Total
Properties used in operations	949	7,754	-	8,703
Other assets	12	18	-	30
Industrial patents, intellectual property rights, concessions, licences, trademarks and similar	5,023	1,274	-	6,297
Total	**5,984**	**9,046**	**-**	**15,030**

The carrying amount of other borrowings approximates to their fair value.

Credit facilities

At 31 December 2013 the following credit facilities were available:

- committed lines of €550 million;
- uncommitted lines of credit of €650 million, of which €210 million were used for short-term borrowings;
- overdraft facilities of €102 million, of which €5 million has been used;
- unsecured guarantee facilities with a value of approximately €307 million (with €178 million available to the Parent Company), of which guarantees with a value of €220 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.

Derivative financial instruments

Movements in derivative financial instruments during 2013 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 2013			Balance at 31 December 2012		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	789,188	789,188	-	743,214	743,214
Domestic and international money transfers	-	497,779	497,779	-	731,738	731,738
Cashed cheques	-	351,159	351,159	-	335,869	335,869
Tax collection and road tax	-	176,413	176,413	-	122,727	122,727
Endorsed cheques	-	152,211	152,211	-	172,968	172,968
Amounts to be credited to customers	-	87,069	87,069	-	113,972	113,972
Other amounts payable to third parties	-	63,017	63,017	-	56,480	56,480
Guarantee deposits	-	99,310	99,310	-	103,234	103,234
Payables for items in process	-	41,635	41,635	-	40,170	40,170
Other	457	16,549	17,006	660	47,785	48,445
Total	**457**	**2,274,330**	**2,274,787**	**660**	**2,468,157**	**2,468,817**

Specifically:

- **Amounts due on prepaid cards**, totaling €780,430 thousand, relate to the electronic topup of Postepay cards.
- **Amounts due on domestic and international money transfers** represent the exposure to third parties for:
  - domestic postal orders, totalling €331,578 thousand;
  - domestic and international transfers, totalling €166,201 thousand.
- **Cashed cheques** represent the exposure to customers for cheques paid into post office savings books but not yet credited.
- **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 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.
- **Amounts payable for guarantee deposits** regard €88,224 thousand paid to BdM-MCC SpA by interest rate swap counterparties (collateral provided by specific Credit Support Annexes), entered into for fair value hedging purposes and €11,086 thousand received by the Parent Company in relation to repurchase agreements covering fixed income securities (collateral under specific Global Master Repurchase Agreements).

B9 - TRADE PAYABLES

Details are as follows:

tab. B9 - Trade payables

Item	Balance at 31 December 2013	Balance at 31 December 2012
Amounts due to suppliers	1,285,665	1,392,753
Prepayments and advances from customers	210,031	212,161
Other trade payables	13,295	13,746
Amounts due to subidiaries	4,547	5,397
Amounts due to associates	3,241	4,399
Amounts due to joint ventures	2,850	2,239
Total	**1,519,629**	**1,630,695**

Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers

Item	Balance at 31 December 2013	Balance at 31 December 2012
Italian suppliers	1,151,036	1,247,583
Overseas suppliers	20,113	17,610
Overseas counterparties[1]	114,516	127,560
Total	**1,285,665**	**1,392,753**

[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 2013	Balance at 31 December 2012
Prepayments from overseas correspondents	85,585	87,023
Automated franking	81,078	81,608
Unfranked mail	16,549	17,281
Postage-paid mailing services	7,888	9,478
Other services	18,931	16,771
Total	**210,031**	**212,161**

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 2013	Balance at 31 December 2012
Poste Tributi ScpA	2,480	1,803
Address Software Srl	1,176	1,534
Kipoint SpA	572	468
PatentiViaPoste ScpA	319	-
Docutel SpA	-	1,592
Total	**4,547**	**5,397**

B10 - OTHER LIABILITIES

Details of these items are as follows:

tab. B10 - Other liabilities

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	753,642	753,642	-	631,225	631,225
Social security payables	46,237	478,070	524,307	48,963	396,775	445,738
Other tax liabilities	398,866	528,246	927,112	196,308	543,182	739,490
Amounts due to the MEF	-	12,140	12,140	-	12,140	12,140
Other amounts due to joint ventures	-	-	-	-	-	-
Other amounts due to associates	-	-	-	6	-	6
Other amounts due to subsidiaries	-	5	5	-	4	4
Sundry payables	70,936	50,309	121,245	65,735	74,431	140,166
Accrued expenses and deferred income from trading	15,489	47,801	63,290	18,257	45,245	63,502
Total	**531,528**	**1,870,213**	**2,401,741**	**329,269**	**1,703,002**	**2,032,271**

Amounts due to staff

Amounts due to staff relate primarily to amounts accrued and not paid at 31 December 2013.

tab. B10.1 - Amounts due to staff

Item	Balance at 31 December 2013	Balance at 31 December 2012
Fourteenth month salaries	240,590	241,926
Incentives	333,627	173,684
Accrued vacation pay	63,466	71,159
Other amounts due to staff	115,959	144,456
Total	**753,642**	**631,225**

At 31 December 2013, certain incentives that at 31 December 2012 were accounted for in the provisions for restructuring charges, have become determinable with reasonable certainty and, as such, have been recognised in payables.

Social security payables

tab. B10.2 - Social security payables

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	81	387,598	387,679	81	307,497	307,578
Pension funds	-	78,435	78,435	-	73,672	73,672
INAIL	46,156	2,863	49,019	48,882	2,734	51,616
Amounts due to the Solidarity Fund	-	482	482	-	773	773
Other agencies	-	8,692	8,692	-	12,099	12,099
Total	**46,237**	**478,070**	**524,307**	**48,963**	**396,775**	**445,738**

Specifically:

- **Amounts due to the *Istituto Nazionale per la Previdenza Sociale*** (*INPS*, the National Institute of Social Security) primarily relate to amounts accrued for, and not yet paid at 31 December 2013, relating also to employee termination benefits to be paid into the agency's Treasury fund.
- **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 2013 Non-current liabilities	Current liabilities	Total	Balance at 31 December 2012 Non-current liabilities	Current liabilities	Total
Stamp duty payable	398,866	32,493	431,359	196,308	40,612	236,920
Tax due on insurance provisions	-	282,295	282,295	-	266,380	266,380
Withholding tax on employees' and consultants' salaries	-	111,924	111,924	-	127,251	127,251
Withholding tax on postal current accounts	-	35,108	35,108	-	44,154	44,154
VAT payable	-	29,886	29,886	-	25,628	25,628
Substitute tax	-	12,741	12,741	-	8,954	8,954
Other taxes due	-	23,799	23,799	-	30,203	30,203
Total	**398,866**	**528,246**	**927,112**	**196,308**	**543,182**	**739,490**

In particular:

- **Stamp duty** is payable to the tax authorities as duty collected virtually after the adjustment made in 2014 pursuant to note 3*bis* of art. 13 of the Tariffs provided for by Presidential Decree 642/1972. The non-current portion of the stamp duty relates to the amount accrued at 31 December 2013 on interest-bearing postal savings 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 2014 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.

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 from 1 January 1994 to 31 July 1994.

Sundry payables

tab. B10.4 - Sundry payables

Item	Balance at 31 December 2013 Non-current liabilities	Current liabilities	Total	Balance at 31 December 2012 Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	59,385	9,624	69,009	55,065	21,517	76,582
Guarantee deposits	7,894	1,595	9,489	8,236	648	8,884
Other payables	3,657	39,090	42,747	2,434	52,266	54,700
Total	**70,936**	**50,309**	**121,245**	**65,735**	**74,431**	**140,166**

In detail:

- **Sundry payables attributable to BancoPosta's** operations primarily relate to transactions effected in previous years in the process of settlement.
- **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

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	5,119	5,119	-	4,628	4,628
Deferred income	15,489	42,682	58,171	18,257	40,617	58,874
Total	**15,489**	**47,801**	**63,290**	**18,257**	**45,245**	**63,502**

Deferred income comprises:

- €22,056 thousand in prepaid telephone traffic sold as of 31 December 2013 and not yet used by customers;
- €10,360 thousand in grants approved by the competent public authorities in favour of the Parent Company, whose matching costs have not been incurred yet;
- €7,640 thousand in fees on Postamat cards collected in advance by the Parent Company;
- €7,535 thousand relating to income to be recognised in future years as a result of the Gran 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;
- €5,356 thousand (of which €5,041 thousand relates to income to be recognised after 2013) relating to the Parent Company's advance collection of the rental on a thirty-year lease of a pneumatic postal structure in Rome.

STATEMENT OF PROFIT OR LOSS

C1 - REVENUE FROM SALES AND SERVICES

Revenue from sales and services, amounting to €9,622,246 thousand, breaks down as follows:

tab. C1 - Revenue from sales and services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Postal and Business services	4,308,816	4,533,058
Financial services	5,068,408	5,144,805
Other sales of goods and services	245,022	254,672
Total	**9,622,246**	**9,932,535**

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 2013	For the year ended 31 December 2012
Unfranked mail	1,303,465	1,466,928
Automated franking by third parties and at post office	1,012,359	1,054,629
Express parcel and express courier service	368,685	327,376
Stamps	301,799	336,981
Integrated services	242,721	245,498
Postage-paid mailing services	148,407	167,642
Overseas mail and parcels	103,857	112,295
Electronic document management and e-procurement services	53,997	43,787
Logistics services	38,413	33,079
Innovative services	37,059	42,345
Telegrams	33,362	51,430
Census services	22	17,837
Other postal services	56,771	78,721
Total revenue from Postal services	**3,700,917**	**3,978,548**
Air shipping services	63,911	70,165
Income from application for residence permits	33,072	34,707
PosteShop sales	27,288	32,591
Rentals	18,080	20,087
Other commercial services	66,596	37,299
Total revenue from Business services	**208,947**	**194,849**
Total market revenue	**3,909,864**	**4,173,397**
Universal Service compensation	342,820	349,888
Electoral subsidies[1]	56,132	9,773
Total	**4,308,816**	**4,533,058**

[1] Subsidies for tariffs discounted in accordance with the law.

In detail:

- **Unfranked mail** relates to revenue from the mailing of correspondence by clients 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 (€212,884 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.
- **Rentals**, amounting to €18,080 thousand, refer mainly to rentals from investment property held for sale and classified in "Inventories".
- **Universal Service compensation** relates to amounts paid by the MEF to cover the costs of fulfilling the USO, which the Parent Company continued to render in the year under review, and in the prior year, pending renewal of the *Contratto di Programma* (Planning Agreement) for the three-year period 2009-2011 by Poste Italiane SpA, the MEF and the Ministry for Economic Development. Revenue of €342,820 thousand was recognised on the basis of the best estimate of the likely compensation that can be reasonably expected under current negotiations, as described in note 2.3 - *Use of estimates*.
- **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 2013	For the year ended 31 December 2012
Income from investment of postal current account deposits	1,753,462	1,773,297
Fees for collection of postal savings deposits	1,620,000	1,649,115
Commissions on payment of bills by payment slip	566,997	572,591
Other revenues from current account services	506,598	478,553
Income from delegated services	129,788	152,907
Distribution of loan products	118,980	150,133
Fees for issue and use of prepaid cards	102,801	97,557
Money transfers	63,136	63,785
Fees for the management of public funds and other income from investment	62,223	52,155
Mutual fund management fees	35,160	26,414
Commissions from securities trading	21,718	44,883
Securities custody	16,414	19,649
Other products and services	71,131	63,766
Total	**5,068,408**	**5,144,805**

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 2013	For the year ended 31 December 2012
Income from investments in securities	1,587,576	1,520,373
Interest income on held-to-maturity financial assets	659,040	598,816
Interest income on available-for-sale financial assets	893,640	869,581
Interest income on securities held for trading	226	544
Interest income on asset swaps of available-for-sale financial assets	34,670	51,432
Income from deposits held with the MEF	167,958	256,659
Remuneration of current account deposits (deposited with the MEF)	157,239	256,659
Differential on derivatives stabilising returns	10,719	-
Net remuneration of own liquidity recognised in finance income and costs	(2,072)	(3,735)
Total	**1,753,462**	**1,773,297**

Income from investments in securities derives from the investment of deposits paid into postal current accounts held by private customers with the Parent Company. 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. Remuneration of the postal current account deposits of Public Sector entities includes €10,719 thousand in net differentials exchanged as a result of the forward purchases described in section A5, which were executed in order to stabilise returns on deposits placed with the MEF.
Net remuneration of own liquidity recognised in finance income and costs is shown separately in finance income and costs, 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 Postal Savings Certificates and redemption of and payments into and withdrawals from Post Office Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 3 August 2011, covering the three-year period 2011-2013, as amended on 20 December 2013.
- **Other revenue from current account services** primarily relates to charges on current accounts, amounting to €222,529 thousand, fees on amounts collected and on statements of account sent to customers, amounting to €107,757 thousand, annual fees on debit cards, amounting to €38,636 thousand, and related transactions, amounting to €63,769 thousand.
- **Income from delegated services** primarily regards amounts received by the Parent Company for the payment of pensions and vouchers issued by INPS (€63,155 thousand), and for the provision of treasury services on the basis of the agreement between Poste Italiane SpA and the MEF (€56,646 thousand).
- **Revenue from the distribution of loan products** relate to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.
- **Fees for the management of public funds** is entirely attributable to BdM-MCC SpA and also includes income and interest on loans.

Other sales of goods and services

Other sales of goods and services relate to income of €245,022 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 2013	For the year ended 31 December 2012
Life premiums(*)	13,162,187	10,504,310
Branch I	13,019,651	9,379,953
Branch III	79,160	1,097,808
Branch IV	458	-
Branch V	62,918	26,549
Non-life premiums(*)	37,859	26,516
Total	**13,200,046**	**10,530,826**

(*) 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 2013	For the year ended 31 December 2012
Income from financial assets at fair value through profit or loss	745,532	1,571,374
Interest	307,728	296,657
Fair value gains	417,441	1,023,604
Realised gains	20,363	251,113
Income from available-for-sale financial assets	2,511,316	1,874,227
Interest	2,011,914	1,663,728
Realised gains	499,402	210,499
Income from held-to-maturity financial assets	1,186	-
Realised gains	1,186	-
Income from cash flow hedges	848	7
Fair value gains	848	7
Income from fair value hedges	1,851	23
Fair value gains	1,851	23
Foreign exchange gains	1,963	2,080
Unrealised gains	73	97
Realised gains	1,890	1,983
Other income	18,456	15,894
Total	**3,281,152**	**3,463,605**

C4 - OTHER OPERATING INCOME

Other operating income relates to the following:

tab. C4 - Other operating income

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Increases to estimates of previous years	80,290	90,558
Recoveries of contract expenses and other recoveries	25,269	18,700
Government grants	8,148	3,721
Recovery of cost of seconded staff	1,853	2,041
Gains on disposals	1,659	4,006
Other income	47,538	23,493
Total	**164,757**	**142,519**

Gains on disposals

tab. C4.1 - Gains on disposals

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Gains on disposal of property and land used in operations	206	1,583
Gains on disposal of investment property	1,348	1,946
Gains on disposal of other operating assets	105	477
Total	**1,659**	**4,006**

For the purposes of reconciliation with the statement of cash flows, in 2013 this item is a negative €875 thousand, due to losses of €2,534 thousand. In 2012, this item amounted to €256 thousand, after losses of €3,750 thousand.

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 2013	For the year ended 31 December 2012
Services	1,917,210	1,945,327
Lease expense	370,983	379,119
Raw, ancillary and consumable materials and goods for resale	219,389	221,414
Interest expense	226,909	282,257
Total	**2,734,491**	**2,828,117**

Services

The table provides a breakdown of services:

tab. C5.1 - Services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Transport of mail, parcels and forms	464,753	472,126
Routine maintenance and technical assistance	274,402	278,539
Outsourcing fees and external service charges	201,638	160,124
Personnel services	169,957	171,510
Energy and water	143,015	148,387
Mobile telecommunication services for customers	112,113	116,773
Transport of cash	96,961	94,250
Mail, telegraph and telex	66,764	66,090
Cleaning, waste disposal and security	63,517	63,334
Printing and enveloping services	61,943	68,352
Credit and debit card fees and charges	57,734	53,651
Telecommunications and data transmission	48,962	70,304
Advertising and promotions	33,208	40,627
Consultants' fees and legal expenses	27,960	41,971
Logistics and document storage services	27,847	18,495
Airport costs	26,569	28,285
Insurance premiums	17,708	19,397
Agent commissions and other	16,174	27,037
Asset management fees	1,745	1,799
Securities custody and management fees	1,718	1,579
Remuneration of Statutory Auditors	1,648	1,756
Other	874	941
Total	**1,917,210**	**1,945,327**

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 2013	For the year ended 31 December 2012
Remuneration	1,387	1,494
Expenses	261	262
Total	**1,648**	**1,756**

Lease expense

The following table provides a breakdown of lease expense:

tab. C5.2 - Lease expense

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Real estate leases and ancillary costs	201,072	200,117
Vehicle leases	80,451	85,923
Equipment hire and software licences	63,645	61,306
Other lease expense	25,815	31,773
Total	**370,983**	**379,119**

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. 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

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

Item	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Consumables and goods for resale		104,068	93,165
Fuels and lubricants		83,714	90,726
Printed matter, stationery and advertising material		17,315	18,483
Printing of postage and revenue stamps		12,285	13,541
SIM cards and scratch cards		2,240	2,435
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[tab. A6]	1,438	3,149
Change in inventories of raw, ancillary and consumable materials	[tab. A6]	560	(742)
Change in property held for sale	[tab. A6]	(2,593)	456
Other		362	201
Total		**219,389**	**221,414**

Interest expense

This item refers to interest paid on customer deposits, amounting to €181,632 thousand, interest paid on repurchase agreements, totalling €42,107 thousand, and interest paid by BdM-MCC SpA for its funding. No interest is paid on ordinary postal current accounts. Interest paid on "BancoPostaClick" and "BancoPostaPiù" accounts varies up to 2%. Special terms and conditions are applied to certain accounts to reward customer loyalty.

C6 - NET MOVEMENT IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

tab. C6 - Movements in technical provisions for insurance business and other claims expenses

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Claims paid	5,155,353	5,530,214
Movement in outstanding claim provisions	24,876	(137,592)
Movement in mathematical provisions	10,536,065	7,340,237
Movement in other technical provisions	(13,990)	90,486
Movement in technical provisions where investment risk is transferred to policyholders	(449,881)	156,793
Claim expenses and movement in other provisions - Non-life	13,138	7,702
Total	**15,265,561**	**12,987,840**

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 €5,155,353 thousand;
- the change in mathematical provisions, totalling €10,536,065 thousand, reflecting increased obligations to policyholders;
- the decrease in technical provisions where investment risk is transferred to policyholders (so-called class D), totalling €449,881 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 2013	For the year ended 31 December 2012
Expenses from financial instruments through profit or loss	14,876	18,772
Unrealised losses	9,548	17,017
Realised losses	5,328	1,755
Expenses from available-for-sale financial instruments	26,426	112,213
Realised losses	26,426	112,213
Expenses from cash flow hedges	1	376
Fair value losses	1	376
Expenses from fair value hedges	16	706
Fair value losses	16	706
Foreign exchange losses	677	340
Unrealised losses	316	151
Realised losses	361	189
Other expenses	31,815	31,981
Total	**73,811**	**164,388**

Other expenses from financial and insurance activities primarily relate to €3,545 thousand in payments made by Poste Vita SpA in accordance with Law 166/2008, which extended the application of the regulations governing dormant accounts to insurance companies, including the requirement to pay the value of any dormant policies into the specific fund established by the MEF. These charges are offset by a matching reduction in the change in technical provisions.

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 2013	For the year ended 31 December 2012
Wages and salaries		4,429,887	4,258,410
Social security contributions		1,249,021	1,179,875
Provisions for employee termination benefits: current service cost	[tab. B7]	967	733
Provisions for employee termination benefits: supplementary pension funds and INPS		272,577	269,552
Agency staff		9,267	8,434
Remuneration and expenses paid to Directors		3,696	3,808
Redundancy payments		53,451	207,629
Net provisions/(reversals) for disputes with staff	[tab. B6]	(44,557)	(15,944)
Provisions for restructuring charges	[tab. B6]	114,000	(76,000)
Other staff costs/(cost recoveries)		(60,033)	(112,697)
Total expenses		**6,028,276**	**5,977,131**
Income from fixed-term contract settlements		(20,283)	(82,042)
Total		**6,007,993**	**5,895,089**

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 2013	For the year ended 31 December 2012
Remuneration	3,566	3,676
Expenses	130	132
Total	**3,696**	**3,808**

Expenses relating to employee termination benefits are described in section B7.
Net provisions for disputes with staff and provisions to restructuring charges are described in section B6.
Income from the fixed-term contract settlements and settlements with agency staff have resulted from the terms of the agreements reached on 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 by the Parent Company on fixed-term contracts, or the mandatory hiring of personnel originally employed as agency staff. The arrangements enabled the Company to enter into individual agreements with approximately 1,335 staff employed by virtue of a provisional court order. Under the individual agreements, each signatory elected not to enforce the legal and financial aspects of the court order requiring their re-employment and approximately 1,105 employees agreed to return, without interest, in variable instalments the remuneration paid for periods not worked and which the Company had already charged to profit or loss in previous years. These amounts total approximately €24 million; the present value of this amount, €20,283 thousand, has been recognised in profit or loss for the year.

The following table shows the Group's average and year-end headcounts by category:

tab. C8.2 - Workforce data

	Average workforce		Year-end workforce	
Level	2013	2012	31 Dec 2013	31 Dec 2012
Executives	785	747	788	764
Middle managers	15,560	15,107	15,820	15,284
Operational staff	123,932	124,246	122,874	123,434
Back-office staff	3,324	4,346	2,744	3,494
Total permanent workforce(*)	**143,601**	**144,446**	**142,226**	**142,976**

(*) Figures expressed in full-time equivalent terms.

Taking account of staff on flexible contracts, the average number of full-time equivalent staff in 2013 is 145,431 (146,542 in 2012).

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 2013	For the year ended 31 December 2012
Property, plant and equipment	372,318	360,792
Properties used in operations	103,685	101,277
Plant and machinery	123,671	127,822
Industrial and commercial equipment	11,634	12,599
Leasehold improvements	32,146	29,825
Other assets	101,182	89,269
Impairments/recoveries/adjustments of property, plant and equipment	19,271	33,978
Depreciation of investment property	8,586	7,934
Impairment/recoveries/adjustments of investment property	(604)	129
Amortisation and impairments of intangible assets	189,073	203,793
Industrial patents and intellectual property rights,concessions, lincenses, trademarks and similar rights	181,095	196,125
Other	7,978	7,668
Impairment of goodwill/goodwill arising from consolidation	-	42,255
Total	**588,644**	**648,881**

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 2013	For the year ended 31 December 2012
Property, plant and equipment	[A1]	6,997	8,180
Intangible assets	[A3]	50,213	53,767
Total		**57,210**	**61,947**

C11 - OTHER OPERATING COSTS

Other operating costs break down as follows:

tab. C11 - Other operating costs

Item	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Net provisions and losses on doubtful debts (uses of provisions)		29,963	32,973
Provisions for receivables due from customers	[tab. A7.2]	44,435	39,053
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.4]	(11,894)	(9,045)
Provisions (reversal of provisions) for sundry receivables	[tab. A8.1]	(2,665)	2,957
Losses on receivables		87	8
Operational risk events		30,583	23,922
Thefts during the year	[tab. A5.1.1 b]	6,265	6,909
Reversal of BancoPosta assets, net of recoveries		3,111	2,193
Other operating losses of BancoPosta		21,207	14,820
Net provisions for risks and charges made/(released)		53,070	40,379
for disputes with third parties	[tab. B6]	1,475	59,400
for non-recurring charges	[tab. B6]	61,690	(897)
for other risks and charges	[tab. B6]	(10,095)	(18,124)
Losses		2,534	3,750
Municipal property tax, urban waste tax and other taxes and duties[1]		69,954	70,318
Revised estimates and assessments for previous years		23,160	16,170
Other recurring expenses		45,152	37,552
Total		**254,416**	**225,064**

[1] This item reflects €624 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	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from available-for-sale financial assets	115,913	101,018
Interest[(1)]	115,249	94,165
Accrued differentials on fair value hedges[(1)]	(8,218)	(5,376)
Realised gains	8,784	12,121
Dividends	98	108
Income from financial assets through profit or loss[(1)]	270	2,830
Other finance income[(1)]	104,738	51,840
Interest from the MEF[(2)]	9,243	7,525
Remuneration of Poste Italiane liquidity	2,072	3,735
Interest on bank current accounts	3,342	4,660
Finance income on discounting receivables[(3)]	27,582	34,278
Overdue interest	7,113	7,677
Impairment of amounts due as overdue interest	(7,058)	(7,604)
Income from subsidiaries	74	38
Interest on IRES refund[(4)]	59,576	-
Other	2,794	1,531
Foreign exchange gains	5,121	3,406
Total	**226,042**	**159,094**

(1) For the purposes of reconciliation with the statement of cash flows, for 2013 these items amount to €212,039 thousand (€143,459 thousand in 2012).
(2) Interest income from the MEF regards interest accrued on the loan under Law 887/84 to cover the interest expense arising from the loans provided by Cassa Depositi e Prestiti.
(3) Finance income on discounted receivables includes: €9,424 thousand in accrued interest on the amount due from the MEF, €7,547 thousand in interest on amounts due for the publisher tariff subsidies and €10,611 thousand in interest on amounts due from staff and the former IPOST and INPS under the fixed-term contract settlements of 2006, 2008, 2010 and 2012.
(4) See section C13.

Finance costs

tab. C12.2 - Finance costs

Item	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Finance costs on financial liabilities		36,802	50,798
on bonds		13,937	19,534
on loans from Cassa Depositi e Prestiti		8,705	14,329
on financial institutions borrowings		13,290	16,367
on finance leases		463	458
paid to MEF		70	109
on derivative financial instruments		337	-
on amounts payable to subsidiaries		-	1
Finance costs on sundry financial assets		3,746	1,402
Realised losses on available-for-sale financial assets		3,612	1,169
Realised losses on financial instruments at fair value through profit or loss		134	233
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	42,836	57,964
Finance costs on provisions for risks	[tab. B6]	3,685	2,091
Other finance costs		6,204	3,500
Foreign exchange losses[1]		4,840	2,400
Total		**98,113**	**118,155**

[1] For the purposes of reconciliation with the statement of cash flows, for 2013 finance costs, before foreign exchange losses, amount to €93,273 thousand (€115,755 thousand in 2012).

C13 - INCOME TAX EXPENSE

This item breaks down as follows:

tab. C13 - Income tax expense

	For the year ended 31 December 2013			For the year ended 31 December 2012		
Item	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	413,991	272,474	686,465	494,596	298,380	792,976
Deferred tax income	62,992	(1,403)	61,589	30,895	151	31,046
Deferred tax expense	(3,077)	1,499	(1,578)	(128,100)	(27,788)	(155,888)
Total	**473,906**	**272,570**	**746,476**	**397,391**	**270,743**	**668,134**
Income tax for previous years following change in legislation	**(222,772)**	**-**	**(222,772)**	**(277,852)**	**-**	**(277,852)**

The tax rate for 2013 is 48.8%, as resulting from the total of the IRES tax rate (31%) and the IRAP tax rate (17.8%). This is reduced to 34.2% after the extraordinary effects of the recognition of the refund of taxes paid in previous years, totalling €222,772 thousand (down 14.6%).

tab. C13.1 - Reconciliation between the theoretical IRES tax rate and the effective IRES tax rate

	2013		2012	
Item	IRES	% rate	IRES	% rate
Profit before tax	*1,528,581*		*1,422,774*	
Theoretical tax charge	420,360	27.5%	391,263	27.5%
Effects of increase/(decreases) on theoretical tax charge				
IRES surtax for banks, financial institutions and insurance companies	46,516	3.04%		
Exempt gains on financial assets	-	0.00%	(1,286)	-0.09%
Non-deductible contingent liabilities	8,409	0.55%	8,396	0.59%
Net provisions for risks and charges and impairments of receivables	5,490	0.36%	21,463	1.51%
Non-deductible taxes	8,452	0.55%	8,411	0.59%
Realignment of tax bases and carrying amounts and taxation for previous years	(12,918)	-0.85%	(1,107)	-0.08%
Technical provisions for insurance business	53,422	3.49%	28,272	1.99%
Deduction from IRES of IRAP paid on personnel expenses	(53,315)	-3.49%	(56,899)	-4.00%
Other	(2,511)	-0.16%	(1,123)	-0.08%
Effective tax charge	**473,906**	**31.00%**	**397,391**	**27.93%**
Refund of IRES for previous years following change in legislation	**(222,772)**	**-14.57%**	**(277,852)**	**-19.53%**

tab. C13.2 - Reconciliation between the theoretical IRAP tax rate and the effective IRAP tax rate

	2013		2012	
Item	IRES	% rate	IRES	% rate
Profit before tax	*1,528,581*		*1,422,774*	
Theoretical tax charge	81,057	5.30%	75,636	5.32%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible personnel expenses	197,127	12.90%	197,749	13.90%
Non-deductible contingent liabilities	1,521	0.10%	1,359	0.10%
Net provisions for risks and charges and impairments of receivables	(1,241)	-0.08%	2,000	0.14%
Non-deductible taxes	1,441	0.09%	1,460	0.10%
Finance income and costs	(753)	-0.05%	(742)	-0.05%
Realignment of tax bases and carrying amounts and taxation for previous years	70	0.00%	(9,945)	-0.70%
Other	(6,652)	-0.44%	3,226	0.23%
Effective tax charge	**272,570**	**17.83%**	**270,743**	**19.03%**

The tax charge of the companies of the Poste Italiane Group engaged in the financial/credit and insurance businesses was affected by the 8.5% IRES surtax levied solely in 2013 by paragraph 2, art. 2 of Law Decree 133 of 30 November 2013, as converted into Law 5 of 29 January 2014.

With reference to **IRES payments for the previous years following change in legislation**, Law Decree 201 of 6 December 2011 permits companies to deduct IRAP paid on personnel expenses in full from the IRES tax base from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedure established by the tax authorities in the ruling issued on 17 December 2012. In compliance with this procedure, which requires applications to be submitted electronically on pre-established dates (so-called "click days"), in March 2013 Poste Italiane SpA and the other Group companies concerned applied for a refund of the overpaid tax for periods of assessment that remain open.

In the 2012 financial statements the Group recognised tax income of €277,852 thousand. On this occasion, the amount was assessed on a prudent basis, solely based on refunds due for the years from 2007 to 2011, and taking into account the absence of consistent interpretations of the new legislation. In 2013 the earlier ruling of the Constitutional Court and the circular issued by the tax authorities (no. 8/E of 3 April) were used as the basis for a number of tax tribunal rulings on the merits, which, in acknowledging the principle of retroactivity of the legislation established by the Supreme Court, extended the right to a refund of the overpaid tax to include the years prior to 2007 and recognised the right to the receipt of interest accrued on the related amount. Poste Italiane SpA and the other Group companies concerned thus took steps to challenge the tax authorities' refusal to respond to their earlier claims for a refund, with the resulting recognition of tax income of €222,772 thousand in 2013. This amount reflects accrued amounts for the tax years from 2004 to 2006 (for which claims for a refund were previously filed with the tax authorities in paper form, thus interrupting application of the statute of limitations), and interest accrued on the entire tax credit through to 31 December 2013. This interest, totalling €59,576 thousand, was recognised as finance income in the statement of profit or loss (tab. C12.1) and the related receivable accounted for in "Other assets" (tab. A8).

Current tax assets and liabilities

tab. C13.3 - Movements in current tax assets/(liabilities)

	Current taxes for the year ended 31 Dec 2013			Current taxes or the year ended 31 Dec 2012		
Item	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total
Balance at 1 January	**446,036**	**12,867**	**458,903**	**(14,016)**	**(12,047)**	**(26,063)**
Payments of	347,204	318,414	665,618	579,029	323,294	902,323
prepayments for the current year	344,988	266,776	611,764	507,470	304,370	811,840
balance payable for the previous year	2,216	51,638	53,854	71,559	18,924	90,483
substitute tax	-	-	-	-	-	-
Provisions to profit or loss	(413,991)	(272,474)	(686,465)	(494,596)	(298,380)	(792,976)
current tax expense	(427,957)	(272,772)	(700,729)	(508,492)	(298,562)	(807,054)
realignment(*)	13,966	298	14,264	13,896	182	14,078
Refund of IRES for previous years following change in legislation	222,772	-	222,772	277,852	-	277,852
Provisions to equity	(56,268)(**)	-	(56,268)	75,296	-	75,296
Other	12,926(***)	(657)	12,269	22,471	22,471	
Balance at 31 December	**558,679**	**58,150**	**616,829**	**446,036**	**12,867**	**458,903**
of which:						
Current tax assets	628,084	90,590	718,674	449,523	72,142	521,665
Current tax liabilities	(69,405)	(32,440)	(101,845)	(3,487)	(59,275)	(62,762)

(*) The realignment is due to the impact of the differences between the carrying amounts of assets and liabilities and their tax bases arising after adoption of IAS/IFRS in 2009, which became deductible in five equal annual instalments from 2009, and in the subsequent four years following payment of the relevant substitute tax. The positive effect on current tax liabilities is offset by the net negative impact of the release of deferred tax assets and liabilities.

(**) Of which €21,843 thousand on actuarial gains on employee termination benefits and €34,425 thousand due to shareholder transactions following the overturning of the European Commission's Decision of 16 July 2008.

(***) 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 for IRES not offset at 31 December 2013 include, in addition to prepayments in 2013:

- €500,624 thousand in tax credits, recognised in 2012 and 2013, arising under Law Decree 201/2011, as described above;
- €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 has been filed.

Deferred tax assets and liabilities

tab. C13.4 - Deferred taxes

Item	Balance at 31 December 2013	Balance at 31 December 2012
Deferred tax assets	673,349	905,479
Deferred tax liabilities	(505,550)	(412,533)
Total	**167,799**	**492,946**

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 Group's average statutory rate for IRAP is 5.30%.

Movements in deferred tax assets and liabilities are shown below:

tab. C13.5 - Movements in deferred tax assets and liabilities

Item	2013	2012
Balance at 1 January	**492,946**	**1,481,205**
Deferred tax income/(expenses) recognised in profit or loss	(60,011)	124,842
Deferred tax income/(expenses) recognised in equity	(265,232)	(1,109,518)
Conversion of deferred tax assets to tax credits	-	(4,153)
Change in scope of consolidation	96	570
Balance at 31 December	**167,799**	**492,946**

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	Provision for risk and charges	Trade and other receivables	Personnel expenses	Other	Total
Balance at 1 January 2012	**58,957**	**6,534**	**1,171,241**	**89,607**	**350,148**	**12,725**	**6,465**	**34,522**	**1,730,199**
Income/(Expenses) recognised in profit or loss	1,360	3,166	80	2,655	(31,900)	(127)	(162)	8,082	(16,846)
Income/(Expenses) recognised in profit or loss on realignment	-	-	(5,952)	(28)	(383)	(5,541)	(2,296)	-	(14,200)
Conversion of deferred tax assets to tax credits	(4,153)	-	-	-	-	-	-	-	(4,153)
Income/(Expenses) recognised in equity	-	-	(790,980)	-	-	-	-	875	(790,105)
Change in scope of consolidation	18	-	294	-	5	-	7	260	584
Balance at 31 December 2012	**56,182**	**9,700**	**374,683**	**92,234**	**317,870**	**7,057**	**4,014**	**43,739**	**905,479**
Income/(Expenses) recognised in profit or loss	(662)	5,611	-	(466)	(61,967)	187	411	9,497	(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)	-	-	-	-	34,001	(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**	**87,237**	**673,349**

The decrease in deferred tax assets related to financial assets and liabilities (€164,093 thousand) is due mainly to movements in the fair value reserve, as described in section B4.

tab. C13.7 - Movements in deferred tax liabilities

Item	PPE and intangible assets	Fees to be amortised	Financial assets and liabilities	Contra asset accounts	Provision for risk and changes	Trade and other receivables	Personnel expenses
Balance at 1 January 2012	**2,118**	**8,852**	**203,491**	**29,662**	**1,055**	**3,816**	**248,994**
Income/(Expenses) recognised in profit or loss	(1,371)	(4,097)	(136,975)	(13,398)	(15)	90	(155,766)
Income/(Expenses) recognised in profit or loss on realignment	-	-	(122)	-	-	-	(122).
Income/(Expenses) recognised in equity	-	-	319,668	-	(255)	-	319,413
Change in scope of consolidation	-	-	-	-	13	1	14
Balance at 31 December 2012	**747**	**4,755**	**386,062**	**16,264**	**798**	**3,907**	**412,533**
Income/(Expenses) recognised in profit or loss	735	(1,541)	9,040	(9,618)	(33)	(39)	(1,456)
Income/(Expenses) recognised in profit or loss on realignment	-	-	(122)	-	-	-	(122)
Income/(Expenses) recognised in equity	-	-	94,545	-	50	-	94,595
Change in scope of consolidation	-	-	-	-	-	-	-
Balance at 31 December 2013	**1,482**	**3,214**	**489,525**	**6,646**	**815**	**3,868**	**505,550**

At 31 December 2013 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 2013	For the year ended 31 December 2012
Fair value reserve for available-for-sale financial assets	(248,636)	(1,081,329)
Cash flow hedge reserve for hedging derivatives	(50,547)	(29,319)
Actuarial gains/(losses) on employee termination benefits	(474)	1,130
Retained eanings due to shareholder transactions	34,425	-
Total	**(265,232)**	**(1,109,518)**

Deferred tax assets arising from shareholder transactions relate to the overturning of the European Commission's Decision of 16 July 2008, as described in section B2.

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 By-laws, 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.

(€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).

(€m) For the year ended 31 December 2012	Postal and Business services	Financial services	Insurance services	Other services	Unallocated items	Adjustments and eliminations	Total
External revenue	4,657	5,312	13,833	267	-	-	24,069
Intersegment revenue	4,512	250	1	85	-	(4,848)	-
Total revenue	**9,169**	**5,562**	**13,834**	**352**	**-**	**(4,848)**	**24,069**
Amortisation, depreciation and impairments	(614)	(2)	(3)	(30)	-	-	(649)
Non-cash expenses	(41)	(3)	(7,726)	(1)	-	-	(7,771)
Total non-cash expenses	**(655)**	**(5)**	**(7,729)**	**(31)**	**-**	**-**	**(8,420)**
Operating profit/(loss)	**416**	**565**	**371**	**28**	**-**	**2(*)**	**1,382**
Finance income/(costs)	-	-	-	-	43	(2)(*)	41
Profit/(Loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(390)	-	(390)
Profit/(Loss) for the year							**1,032**
Assets	**6,584**	**50,658**	**56,081**	**214**	**7,855**	**(822)**	**120,570**
Liabilities	**5,098**	**50,417**	**56,904**	**228**	**2,992**	**(720)**	**114,919**
Other information							
Capital expenditure	436	3	9	34	-	-	482
Investments accounted for using the equity method	10	-	-	-	-	-	10

(*) 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 not material. At 31 December 2013 all entities consolidated on a line-by-line basis are based in Italy, as is the majority of their client base, whilst revenue from foreign clients does not represent a significant percentage of total revenue.

Assets are those employed by the segment in conducting its ordinary activities or that may be allocated to the segment based on its activities.

Unallocated assets consist of cash of €647 million, non-current financial assets of €2,906 million, deferred tax assets of €673 million, prepaid taxes of €1,299 million, current financial assets of €444 million, and current tax assets of €718 million.

Unallocated liabilities consist of current financial liabilities of €1,041 million, non-current financial liabilities of €1,231 million, deferred tax liabilities of €506 million, taxes payable of €927 million and current tax liabilities of €102 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 2013

	Balance at 31 December 2013						
Name	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	-	6	-	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
Allowance for doubtful debts with external related parties	-	(54,870)	(8,869)	-	-	-	-
Totale	**9,268,205**	**2,124,544**	**4,892**	**529,414**	**1,896,273**	**181,287**	**70,723**

At 31 December 2013, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group arising on trading relations amount to €60,056 thousand.

tab. 3.5.2 - Impact of related party transactions on the financial position at 31 December 2012

	Balance at 31 December 2012						
Name	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	141	103	25	-	5	1,534	-
Docutel SpA	-	371	40	-	1	1,592	-
Kipoint SpA	-	104	117	-	80	468	4
PatentiViaPoste ScpA	-	-	49	-	-	-	-
Poste Tributi ScpA	-	8,245	91	-	976	1,803	-
Joint ventures							
Uptime SpA	-	65	-	-	-	2,239	-
Associates							
Docugest SpA	-	4,779	44	-	-	4,399	-
Other SDA Group associates	-	3,023	-	-	-	-	6
Related parties external to the Group							
MEF	7,102,100	1,153,179	21,137	1,397,125	13,373	110,300	12,140
Cassa Depositi e Prestiti Group[1]	1,025,232	948,429	-	-	2,754,286	-	-
Enel Group	-	79,960	-	-	-	10,898	-
Eni Group	-	4,353	-	-	-	16,968	31
Equitalia Group	-	45,499	-	-	-	1,620	-
Finmeccanica Group	301	420	-	-	-	38,046	-
Other related parties external to the Group	756	2,937	-	-	-	8,352	58,337
Allowance for doubtful debts with external related parties	-	(83,380)	(10,070)	-	-	-	-
Total	**8,128,530**	**2,168,087**	**11,433**	**1,397,125**	**2,768,721**	**198,219**	**70,518**

[1] In November 2012 Cassa Depositi e Prestiti acquired 100% of Sace SpA and Fintecna SpA.

tab. 3.5.3 - Impact of related party transactions on the results of operations for the year ended 31 December 2013

	For the year ended 31 December 2013								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
Name	Revenues 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 Participações 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**

At 31 December 2013, total provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group arising on trading relations amount to €4,660 thousand.

tab. 3.5.4 - Impact of related party transactions on the results of operations for the year ended 31 December 2012

	For the year ended 31 December 2012								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
Name	Revenues 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	29	343	5	-	-	1,544	-	-	-
Docutel SpA	7	938	-	-	-	4,036	44	-	-
Italia Logistica Srl	2,123	144	33	-	-	10,191	-	54	-
Kipoint SpA	57	150	-	-	-	888	24	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA	5,067	245	-	-	-	2	-	1,568	1
Joint ventures									
Uptime SpA	15	1	-	-	-	3,853	-	-	-
Associates									
Docugest SpA	632	287	-	-	-	5,878	-	-	-
Related parties external to the Group									
MEF	785,348	753	22,605	-	-	2,182	-	(15,249)	109
Cassa Depositi e Prestiti Group[(1)]	1,649,951	-	21,276	-	-	23,542	-	-	14,350
Enel Group	142,843	24	-	-	-	2,079	-	164	81
Eni Group	27,424	39	-	-	-	64,452	-	60	-
Equitalia Group	12,979	-	-	-	-	1,709	-	-	-
Finmeccanica Group	178	1	-	1,568	5,875	48,442	-	-	-
Other related parties external to the Group	14,188	957	-	-	-	19,320	33,447	1,708	174
Total	**2,640,841**	**3,882**	**43,919**	**1,568**	**5,875**	**188,118**	**33,515**	**(11,695)**	**14,715**

(1) In November 2012 Cassa Depositi e Prestiti acquired 100% of Sace SpA and Fintecna SpA.

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, etc. 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

Key management personnel consist of Directors of the Parent Company, managers at the first organisational level of Poste Italiane SpA and senior management in the main Group companies. The related remuneration, gross of expenses and social security contributions, is as follows:

tab. 3.5.5 - Remuneration of key management personnel

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Remuneration paid in short/medium term	17,630	15,823
Post-employment benefits	462	462
Total	**18,092**	**16,285**

No loans were granted to key management personnel during 2013; at 31 December 2013 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 art. 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 2013 the Poste Italiane Group's net debt/(funds) is as follows:

tab. 3.6.1 - Net debt/(funds)

Item	Note	Balance at 31 Dec 2013	*of which related parties*	Balance at 31 Dec 2012	*of which related parties*
Financial liabilities	[tab. B8]	**51,770,305**		**51,158,489**	
Postal current accounts		41,041,086	*4,178*	39,920,303	*511*
Bonds		1,279,528	-	635,247	-
Financial institutions borrowings		6,546,414	*1,770,872*	7,037,249	*2,523,542*
Borrowings		116,975	*116,975*	226,417	*226,417*
Finance leases		15,030	-	13,551	-
Derivative financial instruments		496,485	-	856,354	-
Other financial liabilities		2,274,787	*4,248*	2,469,368	*18,251*
Technical provisions for insurance business	[tab. B5]	**68,004,986**	**-**	**56,771,043**	**-**
Financial assets	[tab. A5]	**(118,466,609)**		**(104,147,825)**	
Loans and receivables		(7,829,527)	*(5,327,300)*	(8,403,244)	*(7,105,407)*
Held-to-maturity financial assets		(15,221,162)	-	(14,048,068)	-
Available-for-sale financial assets		(84,812,937)	*(3,438,955)*	(71,495,277)	*(1,023,123)*
Financial assets recognised at fair value through profit or loss		(10,273,833)	*(501,950)*	(9,963,583)	-
Derivative financial instruments		(329,150)	-	(237,653)	-
Technical provisions for claims attributable to reinsurers	[tab. A8]	**(40,340)**	**-**	**(27,948)**	**-**
Net financial liabilities/(assets)		**1,268,342**		**3,753,759**	
Cash and deposits attributable to BancoPosta	[tab. A9]	**(3,079,693)**	-	**(3,179,701)**	-
Cash and cash equivalents	[tab. A10]	**(1,445,334)**	*(529,414)*	**(2,533,323)**	*(1,397,125)*
Net debt/(funds)		**(3,256,685)**		**(1,959,265)**	

Determination of fair value

The fair value measurement techniques used by the Poste Italiane Group are described in note 2.2 - *Summary of significant accounting standards and policies*. In compliance with the provisions of IFRS 13 - *Fair Value Measurement*, this section provides information regarding financial assets and liabilities recognised at their fair value. The additional information related to financial assets and liabilities recognised at their amortised cost are described in the respective notes.

The table below breaks down the fair value of financial assets and liabilities by level in the fair value hierarchy:

tab. 3.6.2 - Fair value hierarchy

	At 31 December 2013				At 31 December 2012			
Item	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
AFS financial assets	83,220,761	1,300,336	291,840	84,812,937	57,206,478	12,059,141	2,229,658	71,495,277
Equity instruments	5,285	47,295	80,438	133,018	4,526	29,235	5,439	39,200
Fixed income instruments	81,884,965	1,253,041	-	83,138,006	57,197,707	12,029,906	56,050	69,283,663
Other investments	1,330,511	-	211,402	1,541,913	4,245	-	2,168,169	2,172,414
Financial assets at fair value through profit or loss	9,769,432	504,402	-	10,273,833	89,373	9,165,531	708,679	9,963,583
Fixed income instruments	6,558,294	2,452	-	6,560,746	89,373	6,063,180	-	6,152,553
Structured bonds	2,481,302	501,950	-	2,983,252	-	3,102,351	-	3,102,351
Other investments	729,835	-	-	729,835	-	-	708,679	708,679
Derivative financial instruments	-	329,150	-	329,150	-	237,653	-	237,653
Total financial assets at fair value	**92,990,193**	**2,133,888**	**291,840**	**95,415,920**	**57,295,851**	**21,462,325**	**2,938,337**	**81,696,513**
Financial liabilities								
Derivative financial instruments	-	(496,486)	-	(496,486)	-	(856,356)	-	(856,356)
Total financial liabilities at fair value	**-**	**(496,486)**	**-**	**(496,486)**	**-**	**(856,356)**	**-**	**(856,356)**

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.

tab. 3.6.3 - Transfers from Level 2 to Level 1

Item	Level 1	Level 2
Transfers of financial assets	**20,002,668**	**(20,002,668)**
AFS financial assets		
Equity instruments	-	-
Fixed income instruments	11,429,681	(11,429,681)
Other investments	-	-
Financial assets at fair value through profit or loss		
Fixed income instruments	6,091,685	(6,091,685)
Structured bonds	2,481,302	(2,481,302)
Other investments	-	-
Transfers of financial liabilities	**-**	**-**
Financial liabilities at fair value	-	-
Derivative financial instruments	-	-
Net transfers from Level 2 to Level 1 at 31 December 2013	**20,002,668**	**(20,002,668)**

The reclassifications in question regard financial instruments held by Poste Vita SpA and occurred solely as a result of application of the classification rules introduced by IFRS 13 (revised). In particular, transfers from Level 2 to Level 1 of the hierarchy regard quoted financial instruments for which the price observed in the respective markets represents the effective realisable value of the assets. This category includes coupon stripped Italian government securities for which there is an active market in which the related fair value is observable. Level transfers for structured bonds concern instruments for which there is an active market indicative of the price at which the asset is traded. The previous classification in Level 2 was due to a simplification of the source of the fair values observed. There were no reclassifications from Level 1 to Level 2.

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.

tab. 3.6.4 - Movements in financial instruments at fair value (Level 3)

	Financial assets			
Item	Available-for-sale	Fair value through profit or loss	Derivative financial instrument	Total
Opening balance at 1 January 2012	**2,353,351**	**702,851**	**-**	**3,056,202**
Purchases/Issues	432,951	39,974	-	472,925
Sales/Extinguishment of initial accruals	(692,476)	(80,133)	-	(772,609)
Redemptions	-	-	-	-
Movements in fair value through profit or loss	-	45,071	-	45,071
Movements in fair value through equity	212,717	-	-	212,717
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	(76,885)	916	-	(75,969)
Transfers to Level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Movements in amortised cost	-	-	-	-
Other movements (including accruals at the end of the period)	-	-	-	-
Closing balance at 31 December 2012	**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**

The financial instruments classified in Level 3, primarily held by the Group's insurance companies, almost entirely regard units of closed-end private equity funds and real estate funds for which the fair value of the underlying cannot be determined on the basis of observable inputs from financial markets. Funds with an official NAV certified on a daily basis, or for which the fair value can be determined on the basis of observable market inputs, based on the rules introduced by the new IFRS 13, were classified in Level 1 during the year. Similarly, units of mutual investment funds that are for the most part bond funds have been reclassified from Level 3 to Level 2, if the fair value of the underlying can be determined on the basis of observable market inputs.

Financial assets classified in Level 3 primarily regard two categories of instrument: private equity funds and real estate funds. Their far value depends on the value, determined analytically, of the underlying financial instruments, represented by unlisted equities and investment property, respectively. 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, 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, as reflected also in this case in these funds' audited financial statements, 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 the Group 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 agreements or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32[38].

In particular, the disclosures in question concern the following positions at 31 December 2013:

- 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.

38. 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".

tab. 3.6.5 - 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: Financial instruments transferred or posted as collateral (e)	Collateral: Securities given/(recived) as collateral (f)	Collateral: Cash given/ (received) as collateral (g)	Net amount of financial assets/(liabilities) at 31 Dec 2013 (h=d+e+f+g)
For the year ended 31 December 2013								
Derivatives	328,571	(496,486)	-	(167,915)	-	(114,812)	281,501	(1,226)
Repurchase agreements	-	(5,676,671)	-	(5,676,671)	6,420,955	(233,544)	(6,851)	503,889
Other	-	(200,076)	-	(200,076)	206,741	-	-	6,665
Total at 31 December 2013	**328,571**	**(6,373,233)**	**-**	**(6,044,662)**	**6,627,696**	**(348,356)**	**274,650**	**509,328**
For the year ended 31 December 2012								
Derivatives	12,157	(856,190)	-	(844,033)	-	252,015	554,415	(37,603)
Repurchase agreements	-	(6,054,687)	-	(6,054,687)	7,066,275	(358,255)	(15,374)	637,959
Other	-	-	-	-	-	-	-	-
Total at 31 December 2012	**12,157**	**(6,910,877)**	**-**	**(6,898,720)**	**7,066,275**	**(106,240)**	**539,041**	**600,356**

(*) 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 2013, these assets concern the repurchase agreements entered into by the Parent Company with primary financial intermediaries.

tab. 3.6.6 - Transfer of financial assets that are not derecognised

Item	Note	At 31 December 2013 Nominal value	At 31 December 2013 Carrying amount	At 31 December 2013 Fair value	At 31 December 2012 Nominal value	At 31 December 2012 Carrying amount	At 31 December 2012 Fair value
Financial services							
Held-to-maturity financial assets	[A5]	5,090,003	5,153,399	5,520,033	6,246,310	6,282,443	6,563,438
Available-for-sale financial assets	[A5]	214,000	225,027	225,027	-	-	-
Financial liabilities arising from repos	[B8]	(4,963,929)	(4,999,569)	(5,020,101)	(5,517,542)	(5,565,822)	(5,609,595)
Postal and business services							
Held-to-maturity financial assets		-	-	-	-	-	
Available-for-sale financial assets	[A5]	650,000	675,895	675,895	500,000	502,837	502,837
Financial liabilities arising from repos	[B8]	(676,959)	(677,102)	(677,186)	(488,570)	(488,864)	(488,673)
Total		**313,115**	**377,650**	**723,668**	**740,198**	**730,594**	**968,007**

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 2013	At 31 December 2012
Post office savings books	106,920,022	98,777,506
Interest-bearing Postal Certificates	211,706,910	213,269,999
Cassa Depositi e Prestiti	137,857,442	137,519,514
MEF	73,849,468	75,750,485
Total	**318,626,932**	**312,047,505**

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 2013	At 31 December 2012
Collective investment funds	4,566,363	3,685,383
Funds managed by the Group	1,568,359	802,815
Funds managed by third parties	2,998,004	2,882,568
Total	**4,566,363**	**3,685,383**

Average assets under management within BancoPosta Fondi SpA SGR's proprietary mutual investment funds managed by the Group amount to €4,570 million for 2013.
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 2013	At 31 December 2012
Purchase commitments		
Goods and services	671,458	678,132
Property leases	590,948	573,161
Property, plant and equipment	45,533	48,136
Intangible assets	30,227	37,604
Investment property	54	14
Committed lines of credit		
Loans agreed to be disbursed	35,749	19,216
Total	**1,373,969**	**1,356,263**

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 2013	At 31 December 2012
Lease rentals due:		
within 12 months	161,286	161,823
between 2 and 5 years after end of reporting date	368,092	351,287
after 5 years	61,570	60,051
Total	**590,948**	**573,161**

Guarantees

Unsecured guarantees issued by the Group are as follows:

tab. 3.7.4 - Guarantees

Item	At 31 December 2013	At 31 December 2012
Bank and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	154	1,141
by the Group in its own interests in favour of third parties	220,477	161,818
Total	**220,631**	**162,959**

Third-party assets

tab. 3.7.5 - Third-party assets

Item	At 31 December 2013	At 31 December 2012
Bonds subscribed by customers held at third-party banks	11,899,008	17,067,814
Other assets	25,452	24,427
Total	**11,924,460**	**17,092,241**

Assets in the process of allocation

At 31 December 2013 the Parent Company had paid a total of €256,304 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 Group has voluntarily adopted guidelines governing the procedures for awarding contracts to the independent auditors or companies within its network. The guidelines also require the Group 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 2013 and 2012.

tab. 3.7.6 - Disclosure of fees paid to independent auditors

Item	Entity providing the service	Fees(*) For the year ended 31 December 2013	Fees(*) For the year ended 31 December 2012
Audit	PricewaterhouseCoopers SpA	2,102	2,079
	PricewaterhouseCoopers Network	-	-
Voluntary audits or audit-related services	PricewaterhouseCoopers SpA	274	258
	PricewaterhouseCoopers Network	190	-
Services other than audit	PricewaterhouseCoopers SpA	-	-
	PricewaterhouseCoopers Network	642	845
Total		**3,208**	**3,182**

(*) The above amounts do not include incidental expenses and charges (for example, the regulatory fee paid to the CONSOB).

Audit services take into account €35 thousand for a new engagement related to the financial statements for the year ended 31 December 2013 of a Group company carried out and completed in 2014.

Voluntary audits or audit-related services include an assignment by the Parent Company to update the EMTN - Euro Medium Term Note programme and a due diligence engagement carried out in 2013.

Services other than audit mainly relate to a long-term contract, awarded by Poste Italiane SpA via a tender process, to monitor the quality of the Priority Mail and Posta Target services.

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%	12,000	11,054	95,807
Banca del Mezzogiorno-MedioCredito Centrale SpA (Rome)	100%	132,509	11,597	157,987
Consorzio Logistica Pacchi ScpA (Rome)	100%	516	-	516
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome)(*)	100%	120	-	120
Europa Gestioni Immobiliari SpA (Rome)	100%	103,200	(3,662)	437,820
Italia Logistica Srl (Rome)	100%	300	53	428
Mistral Air Srl (Rome)	100%	530	(7,429)	(3,276)
Postecom SpA (Rome)	100%	6,450	4,530	52,057
PosteMobile SpA (Rome)	100%	32,561	15,755	95,415
Poste Energia SpA (Rome)	100%	120	168	1,332
PosteTutela SpA (Rome)	100%	153	1,140	11,525
Poste Vita SpA (Rome)(*)	100%	1,216,608	253,692	2,711,541
Poste Assicura SpA (Rome)(*)	100%	25,000	5,501	42,173
Postel SpA (Rome)	100%	20,400	4,320	135,815
PostelPrint SpA (Rome)	100%	7,140	1,861	38,833
PosteShop SpA (Rome)	100%	2,582	46	4,851
SDA Express Courier SpA (Rome)	100%	30,000	(20,445)	23,236

(*) 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 and services	Profit/(Loss) for the year
Address Software Srl (Rome)	51%	2,041	1,720	2,251	77
Docugest SpA (Parma)[a]	49%	17,027	7,907	12,441	428
Kipoint SpA (Rome)	100%	1,683	1,288	3,092	(108)
PatentiViaPoste ScpA (Rome)	86.86%	2,890	2,769	1,849	11
Poste Holding Participações do Brasil Ltda (São Paulo - Brazil)	100%	-	-	-	-
Poste Tributi ScpA (Rome)	90%	20,249	17,666	8,284	-
Programma Dinamico SpA (Rome)[b]	-	279	132	133	6
Telma-Sapienza Scarl (Rome)[a]	29.74%	1,638	20	-	8
Uptime SpA (Rome)[a]	28.57%	5,373	5,204	4,683	491

[a] Data from the company's latest approved financial statements for the year ended 31 December 2012.
[b] Data for the year ended 31 December 2012. No Group company has any equity interest in Programma Dinamico SpA.

3.9 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 January 2014 the Italian Cabinet approved a draft decree governing the sale of not more than 40% of Poste Italiane via a public offering of shares to Italian retail investors, including employees of the Poste Italiane Group, and/or Italian and international institutional investors. The draft legislation is currently being examined by the relevant parliamentary committees. The shareholder and the Company have initiated the activities needed in order to complete the transaction by the end of 2014.
Other 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 2013.

4.

POSTE ITALIANE SPA
at 31 December 2013

Contents

4.1 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION at 31 December

ASSETS

(€)	Note	2013	*of which related parties*	2012	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,366,872,014	-	2,495,611,309	-
Investment property	[A2]	68,931,580	-	74,041,912	-
Intangible assets	[A3]	427,707,832	-	380,104,938	-
Investments	[A4]	1,812,290,712	*1,812,290,712*	1,430,011,836	*1,430,011,836*
Financial assets attributable to BancoPosta	[A5]	37,190,437,268	-	33,521,953,740	-
Financial assets	[A6]	1,149,793,833	*543,059,407*	1,162,780,958	*648,251,902*
Trade receivables	[A7]	95,450,779	-	138,702,782	-
Deferred tax assets	[C10]	554,565,155	-	800,857,726	-
Other receivables and assets	[A8]	552,776,982	*1,465,574*	403,405,873	*1,465,574*
Total		**44,218,826,155**		**40,407,471,074**	
Current assets					
Trade receivables	[A7]	3,332,785,269	*2,357,393,341*	3,450,284,437	*2,381,092,744*
Current tax assets	[C10]	617,914,306	-	496,752,530	-
Other receivables and assets	[A8]	880,580,677	*4,595,675*	934,994,764	*203,241,632*
Financial assets attributable to BancoPosta	[A5]	9,312,104,568	*6,086,122,109*	10,811,670,519	*6,741,807,596*
Financial assets	[A6]	860,809,034	*664,846,800*	520,252,452	*473,050,370*
Cash and deposits attributable to BancoPosta	[A9]	3,079,693,387	-	3,179,701,384	-
Cash and cash equivalents	[A10]	587,651,681	*529,414,111*	1,458,274,942	*1,397,124,528*
Total		**18,671,538,922**		**20,851,931,028**	
Non-current assets held for sale	[A11]	**-**	**-**	**129,447**	**-**
TOTAL ASSETS		**62,890,365,077**		**61,259,531,549**	

LIABILITIES AND EQUITY

(€)	Note	2013	*of which related parties*	2012	*of which related parties*
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Reserves	[B3]	1,801,921,337	-	1,163,588,420	-
Retained earnings		2,322,174,349	-	1,843,171,717	-
Total		**5,430,205,686**		**4,312,870,137**	
Non-current liabilities					
Provisions for risks and charges	[B4]	511,025,789	*49,281,868*	503,473,561	*56,902,052*
Employee termination benefits	[B5]	1,301,616,359	-	1,398,665,334	-
Financial liabilities attributable to BancoPosta	[B6]	4,246,120,893	*915,806,250*	5,026,251,417	*2,523,541,907*
Financial liabilities	[B7]	1,221,645,279	*3,381,593*	554,975,291	*116,975,348*
Deferred tax liabilities	[C10]	387,501,955	-	325,223,288	-
Other liabilities	[B9]	483,856,138	-	303,105,395	-
Total		**8,151,766,413**		**8,111,694,286**	
Current liabilities					
Provisions for risks and charges	[B4]	577,801,477	*10,774,820*	850,714,149	*11,543,034*
Trade payables	[B8]	1,313,997,097	*459,275,723*	1,417,130,702	*509,084,987*
Current tax liabilities	[C10]	2,617,678	-	-	-
Other liabilities	[B9]	1,631,039,372	*258,301,506*	1,304,888,500	*80,223,052*
Financial liabilities attributable to BancoPosta	[B6]	44,456,318,220	*916,073,111*	43,695,598,072	*103,033,574*
Financial liabilities	[B7]	1,326,619,134	*419,638,260*	1,566,635,703	*505,780,455*
Total		**49,308,392,978**		**48,834,967,126**	
TOTAL LIABILITIES AND EQUITY		**62,890,365,077**		**61,259,531,549**	

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 FINANCIAL POSITION *(continued)*
SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC
at 31 December 2012

ASSETS

(€)	Note	Capital outside the ring-fence	BancoPosta RFC	Adjustments	Total
Non-current assets					
Property, plant and equipment		2,495,611,309	-	-	2,495,611,309
Investment property		74,041,912	-	-	74,041,912
Intangible assets		380,104,938	-	-	380,104,938
Investments		1,430,011,836	-	-	1,430,011,836
Financial assets attributable to BancoPosta	[A5]	-	33,521,953,740	-	33,521,953,740
Financial assets		1,162,780,958	-	-	1,162,780,958
Trade receivables		138,702,782	-	-	138,702,782
Deferred tax assets	[C10]	359,099,032	441,758,694	-	800,857,726
Other receivables and assets	[A8]	230,660,768	172,745,105	-	403,405,873
Total		**6,271,013,535**	**34,136,457,539**	**-**	**40,407,471,074**
Current assets					
Trade receivables	[A7]	1,954,415,733	1,495,868,704	-	3,450,284,437
Current tax assets	[C10]	489,090,019	18,200,233	(10,537,722)	496,752,530
Other receivables and assets	[A8]	421,554,930	513,439,834	-	934,994,764
Financial assets attributable to BancoPosta	[A5]	-	10,811,670,519	-	10,811,670,519
Financial assets		520,252,452	-	-	520,252,452
Cash and deposits attributable to BancoPosta	[A9]	-	3,179,701,384	-	3,179,701,384
Cash and cash equivalents	[A10]	44,801,288	1,413,473,654	-	1,458,274,942
Total		**3,430,114,422**	**17,432,354,328**	**(10,537,722)**	**20,851,931,028**
Non-current assets held for sale		**129,447**	**-**	**-**	**129,447**
Intersegment relations net amount		**262,729,493**	**-**	**(262,729,493)**	**-**
TOTAL ASSETS		**9,963,986,897**	**51,568,811,867**	**(273,267,215)**	**61,259,531,549**

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]	235,991,845	927,596,575	-	1,163,588,420
Retained earnings		1,246,203,768	596,967,949	-	1,843,171,717
Total		**2,788,305,613**	**1,524,564,524**	**-**	**4,312,870,137**
Non-current liabilities					
Provisions for risks and charges	[B4]	268,164,058	235,309,503	-	503,473,561
Employee termination benefits	[B5]	1,379,817,358	18,847,976	-	1,398,665,334
Financial liabilities attributable to BancoPosta	[B6]	-	5,026,251,417	-	5,026,251,417
Financial liabilities		554,975,291	-	-	554,975,291
Deferred tax liabilities	[C10]	15,358,426	309,864,862	-	325,223,288
Other liabilities	[B9]	75,295,237	227,810,158	-	303,105,395
Total		**2,293,610,370**	**5,818,083,916**	**-**	**8,111,694,286**
Current liabilities					
Provisions for risks and charges	[B4]	804,011,951	46,702,198	-	850,714,149
Trade payables	[B8]	1,352,284,383	64,846,319	-	1,417,130,702
Current tax liabilities	[C10]	-	10,537,722	(10,537,722)	-
Other liabilities	[B9]	1,159,138,877	145,749,623	-	1,304,888,500
Financial liabilities attributable to BancoPosta	[B6]	-	43,695,598,072	-	43,695,598,072
Financial liabilities		1,566,635,703	-	-	1,566,635,703
Total		**4,882,070,914**	**43,963,433,934**	**(10,537,722)**	**48,834,967,126**
Intersegment relations net amount		**-**	**262,729,493**	**(262,729,493)**	**-**
TOTAL LIABILITIES AND EQUITY		**9,963,986,897**	**51,568,811,867**	**(273,267,215)**	**61,259,531,549**

STATEMENT OF PROFIT OR LOSS for the year ended 31 December

(€)	Note	2013	*of which related parties*	2012	*of which related parties*
Revenue from sales and services	[C1]	8,978,220,179	*2,948,251,929*	9,206,306,284	*2,908,224,785*
Other income from financial activities	[C2]	307,504,806	-	155,686,252	-
Other operating income	[C3]	147,058,748	*15,967,776*	123,279,638	*13,195,288*
Total revenue		**9,432,783,733**		**9,485,272,174**	
Cost of goods and services	[C4]	2,024,373,246	*789,623,333*	2,121,093,562	*824,720,161*
Other expenses from financial activities	[C5]	7,293,207	-	1,471,569	-
Personnel expenses	[C6]	5,755,065,383	*40,769,747*	5,658,395,664	*33,769,972*
of which non-recurring costs/(income)		*(20,282,965)*	-	*(82,042,488)*	-
Depreciation, amortisation and impairments	[C7]	501,134,743	-	525,545,968	-
Capitalised costs and expenses		(4,908,704)	-	(7,628,517)	-
Other operating costs	[C8]	232,487,044	*(5,955,979)*	235,725,350	*7,350,850*
Operating profit/(loss)		**917,338,814**		**950,668,578**	
Finance costs	[C9]	92,642,828	*12,944,280*	115,027,427	*16,566,641*
Finance income	[C9]	139,124,841	*43,293,480*	90,694,792	*49,592,324*
of which non-recurring income		*57,901,557*	-	-	-
Profit/(Loss) before tax		**963,820,827**		**926,335,943**	
Income tax expense	[C10]	473,491,137	-	474,390,174	-
Income tax for previous years following change in legislation	[C10]	(217,758,449)	-	(270,299,294)	-
PROFIT FOR THE YEAR		**708,088,139**		**722,245,063**	

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December

(€)	Note	2013	2012
Profit/(Loss) for the year		**708,088,139**	**722,245,063**
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]	927,967,080	3,045,912,382
Transfers to profit or loss		(209,920,605)	11,455,928
Cash flow hedges			
Increase/(Decrease) in fair value during the year	[tab. B3]	188,215,651	201,702,687
Transfers to profit or loss		(30,643,341)	(111,622,955)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss		(273,398,121)	(1,010,487,338)
Items not to be reclassified in the Statement of profit or loss			
Actuarial gains/(losses) on provisions for employee termination benefits	[tab. B5]	78,657,581	(273,307,953)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss	[tab. C10.3]	(21,630,835)	75,159,687
Total other components of comprehensive income		**659,247,410**	**1,938,812,438**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,367,335,549**	**2,661,057,501**

STATEMENT OF CHANGES IN EQUITY

	Equity						
		Reserves					
(€)	Share capital	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings/ (Accumulated losses)	Total
Balance at 1 January 2012	**1,306,110,000**	**225,939,064**	**1,000,000,000**	**(2,050,522,432)**	**(185,971,919)**	**1,706,257,923**	**2,001,812,636**
Total comprehensive income for the year	-	-	-	2,076,208,608	60,752,096	524,096,797	2,661,057,501
Attribution of profit to reserves	-	37,183,003	-	-	-	(37,183,003)	-
Dividends paid	-	-	-	-	-	(350,000,000)	(350,000,000)
Balance at 31 December 2012	**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**
of which attributable to BancoPosta RFC	-	-	1,000,000,000	52,816,398	(125,219,823)	596,967,949	1,524,564,524
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 transaction	-	-	-	-	-	-	-
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

(*) This item includes profit for the year of €708,088 thousand, actuarial gains on provisions for employee termination benefit of €78,658 thousand after the related current tax expense of €21,631 thousand.

STATEMENT OF CASH FLOWS for the year ended 31 December

(€000)	Note	2013	2012
Cash and cash equivalents at beginning of year		**1,458,275**	**1,208,802**
Profit/(Loss) before tax		963,821	926,336
Depreciation, amortisation and impairments	[tab. C7]	501,135	525,547
Impairments/(Reversals of impairments) of investments	[tab. A4.1]	27,728	58,074
Net provisions for risks and charges	[tab. B4]	146,642	262,912
Use of provisions for risks and charges	[tab. B4]	(414,740)	(403,702)
Employee termination benefits paid	[tab. B5]	(70,640)	(93,700)
Interest expense to financial institutions		(14,229)	48,280
(Gains)/Losses on disposals	[tab. C3.2]	514	(1,849)
(Income)/Expenses and other non-cash components from financial activities		(860,424)	(593,308)
(Dividends)	[tab. C9.1]	(98)	(71)
Dividends received		98	71
(Finance income in form of interest)	[tab. C9.1]	(135,964)	(87,723)
Interest received		46,879	92,728
Interest expense and other finance costs	[tab. C9.2]	89,932	113,136
Interest paid		(17,516)	(73,366)
Losses and impairments/(Recoveries) on receivables	[tab. C8]	6,407	21,285
Income tax paid	[tab. C10.3]	(499,947)	(856,476)
Other movements		3,028	1,921
Cash generated by operating activities before movements in working capital	[a]	(227,374)	(59,905)
Movements in working capital:			
(Increase)/Decrease in Trade receivables		129,336	130,177
(Increase)/Decrease in Other receivables and assets		372,399	(289,647)
Increase/(Decrease) in Trade payables		(103,134)	(450,616)
Increase/(Decrease) in Other liabilities		268,962	249,744
Cash generated by/(used in) movements in working capital	[b]	667,563	(360,342)
Increase/(Decrease) in liabilities attributable to BancoPosta		339,962	6,229,481
Net cash generated by/(used for) financial assets held for trading		9,256	107,826
Net cash generated by/(used for) available-for-sale financial assets		(871,179)	(5,365,774)
Net cash generated by/(used for) held-to-maturity financial assets		(939,235)	543,995
(Increase)/Decrease in other financial assets attributable to BancoPosta		989,636	937,887
(Increase)/Decrease in cash and deposits attributable to BancoPosta		100,008	(619,707)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	[c]	(371,552)	1,833,708
Net cash flow from/(for) operating activities	[d]=[a+b+c]	**68,637**	**1,413,461**
- of which related party transactions		**179,202**	**2,939,254**
Investing activities:			
Property, plant and equipment	[tab. A1]	(227,627)	(228,864)
Investment property	[tab. A2]	(326)	(531)
Intangible assets	[tab. A3]	(190,820)	(171,877)
Investments		(410,007)	(84)
Other financial assets		(445,530)	(38,246)
Disposals:			
Property, plant and equipment, investment property and assets held for sale		3,500	6,883
Other financial assets		6,229	97,630
Net cash flow from/(for) investing activities	[e]	**(1,264,581)**	**(335,089)**
- of which related party transactions		**(705,672)**	**(61,367)**
Proceeds from/(Repayments of) long-term borrowings		794,577	90,355
(Increase)/Decrease in loans and receivables		147,800	143,771
Increase/(Decrease) in short-term borrowings		(367,056)	(713,025)
Dividends paid	[B2]	(250,000)	(350,000)
Net cash flow from/(for) financing activities and shareholder transactions	[f]	**325,321**	**(828,899)**
- of which related party transactions		**(296,433)**	**(576,360)**
Net increase/(decrease) in cash	[g]=[d+e+f]	**(870,623)**	**249,473**
Cash and cash equivalents at end of year	[tab. A10]	**587,652**	**1,458,275**

Cash and cash equivalents at end of year	[tab. A10]	**587,652**	**1,458,275**
Cash subject to investment restrictions		(353,974)	(1,266,408)
Amounts that cannot be drawn on due to court rulings		(13,545)	(25,606)
Unrestricted net cash and cash equivalents at end of year		**220,133**	**166,261**

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 art. 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[39], namely:

- the collection of savings from the public in accordance with art. 11, paragraph 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, paragraph 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.

39. 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.

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[40].

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 (savings books and savings 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, with a delay of two bank working days with respect to 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[41]. Funds deposited by Public Sector entities are placed, instead, with the Ministry of the Economy and Finance 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 on 8 May 2009, as amended by addenda. The most recent addendum was signed in March 2013, extending the term of the agreement to 31 December 2013. 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)[42] rate.

40. 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 (e.g., postal current accounts) and related services (e.g., issuance of postal cheques, payment of bills by payment slip, credit cards, collections and payments services, direct debits);
    b. Contracts for the provision of payment services including the issuance, management and sale of payment cards, including prepaid cards (e.g., "postamat", "postepay"), 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 zone government securities, held pursuant to art. 1, paragraph 1097 of Law 296 of 27 December 2006, and related valuation reserves;
    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 business;
    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.
41. Following the changes introduced by Law 191 of 23 December 2009, it became possible for BancoPosta to invest up to 5% of its deposits in securities guaranteed by the Italian government.
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.

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 the Poste Italiane SpA Finance 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.

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, identifies the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated. Costs are allocated to BancoPosta by transfer pricing as determined with reference to:

- market prices for similar services, e.g., the free market comparable price method; or,
- cost plus a mark-up, e.g., 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 incurred with the application of the same process used for Universal Postal Service purposes in the related regulatory accounting records, which are subject to independent audit. The mark-up is determined taking into account the market prices of BancoPosta's principal services.

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.

Finally, 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. 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. These prices are reviewed annually as part of the planning and budget process.

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.

	Function	Allocation key
Commercial activities	Sales network	Fixed component: Cost + mark-up + price cap Variable component: determined 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 floorspace, 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 Human Resources and Organisation Security & Safety Legal Affairs External Relations Purchasing Internal Auditing	Actual internal costs; external costs plus a mark-up

Finally, 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.

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'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, where applicable, 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[43].

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	1,505,526	505,526	1,000,000	-
BancoPosta RFC reserve	1,000,000	-	1,000,000	-
Fair value reserve	523,720	523,720	-	-
Cash flow hedge reserve	(18,194)	(18,194)	-	-
Retained earnings	971,775	(1,245)	598,990	374,030
Net profit for period	973,020	-	598,990	374,030
Actuarial gains/(losses) on defined benefit plans	(1,245)	(1,245)	-	-
Total	**2,477,301**	**504,281**	**1,598,990**	**374,030**

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[44], 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". Furthermore, BancoPosta RFC's Regulation state 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 (…)".

43. 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).
44. 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	Properties used in operations	Plant and equipment	Industrial and commercial equipment	Leasehold improve-ments	Other assets	Assets under contruction and advances	Total
Balance at 1 January 2012								
Cost	72,098	2,541,486	1,797,129	306,810	313,685	1,303,856	68,233	6,403,297
Accumulated depreciation	-	(1,016,123)	(1,277,751)	(253,128)	(109,631)	(1,104,624)	-	(3,761,257)
Accumulated impairments	(103)	(16,807)	(2,827)	(770)	(40)	(39)	-	(20,586)
Carrying amount	**71,995**	**1,508,556**	**516,551**	**52,912**	**204,014**	**199,193**	**68,233**	**2,621,454**
Movements during the year								
Purchases	1,563	27,903	54,447	6,257	25,244	66,006	47,444	228,864
Adjustments	-	122	-	-	-	-	-	122
Reclassifications	(29)	22,692	14,371	33	5,755	17,945	(55,375)	5,392
Disposals	(50)	(36)	(175)	(431)	(1,613)	(147)	-	(2,452)
Depreciation	-	(98,209)	(108,612)	(12,489)	(29,549)	(75,041)	-	(323,900)
Impairments	-	(32,452)	(437)	-	(430)	(550)	-	(33,869)
Total movements	**1,484**	**(79,980)**	**(40,406)**	**(6,630)**	**(593)**	**8,213**	**(7,931)**	**(125,843)**
Balance at 31 December 2012								
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[1]	-	8,969	4,440	(37)	6,003	24,338	(43,713)	-
Disposals[2]	(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**
Reclassifications[1]								
Cost	-	8,925	(2,230)	(48)	6,047	31,019	(43,713)	-
Accumulated depreciation	-	44	6,670	11	(44)	(6,681)	-	-
Accumulated impairments	-	-	-	-	-	-	-	-
Total	**-**	**8,969**	**4,440**	**(37)**	**6,003**	**24,338**	**(43,713)**	**-**
Disposals[2]								
Cost	(1)	(562)	(75,941)	(26)	(2,577)	(29,497)	(581)	(109,185)
Accumulated depreciation	-	271	75,301	21	1,348	29,250	-	106,191
Accumulated impairments	-	8	304	-	-	-	-	312
Total	**(1)**	**(283)**	**(336)**	**(5)**	**(1,229)**	**(247)**	**(581)**	**(2,682)**

None of the above items is attributable to BancoPosta RFC.
At 31 December 2013 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, amounting to €117,851 thousand.

The main movements during 2013 are described below.

Purchases of €227,627 thousand primarily relate to:
- €47,831 thousand relating mainly to the purchase of an appurtenance to the headquarters complex in Rome (€19,833 thousand), extraordinary maintenance of post offices and local head offices around the country (€20,526 thousand), and mail sorting offices (€5,299 thousand);
- €48,314 thousand relating to plant, primarily including €30,790 thousand regarding plant and equipment related to buildings, €7,571 thousand relating to the installation and extraordinary maintenance of video surveillance systems, and €7,503 thousand to the installation of ATMs;
- €22,434 thousand invested in leasehold improvements relating to the upgrade of plant (€15,033 thousand) and structural improvements (€7,401 thousand) to properties held under lease;
- €76,002 thousand relating to other assets, the most significant items of which include €48,827 thousand for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems, €9,378 thousand for the purchase of furniture and fittings in connection with the new layouts for post offices, and €13,724 thousand for the purchase of new delivery equipment (clothing, motor vehicles, etc.);
- €27,466 thousand relating to assets under construction, of which €19,860 thousand relates to the restyling of post offices, €6,083 thousand to the renovation of primary distribution centres and €1,523 thousand to the purchase of hardware and other equipment not yet in use.

Impairments during the year concern assets located on land held under concession or sub-concession arrangements which, pending a renewal, have expired, certain industrial buildings for which account was taken, prudentially, of persistent price volatility (note 2.3 - *Use of estimates*) and equipment in sorting centres whose use has been reduced, or which has been removed from the production cycle, and is due to be scrapped.

Reclassifications from assets under construction, totalling €43,713 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 impact of disposals on profit or loss is described in tab. C3.2.

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

	2013	2012
Balance at 1 January		
Cost	147,157	150,303
Accumulated depreciation	(70,824)	(67,705)
Accumulated impairments	(2,291)	(2,401)
Carrying amount	**74,042**	**80,197**
Movements during the year		
Purchases	326	531
Reclassifications[1]	-	846
Disposals[2]	(1,203)	(2,542)
Depreciation	(4,837)	(4,861)
Reversals of impairments/(Impairments)	604	(129)
Total movements	**(5,110)**	**(6,155)**
Balance at 31 December		
Cost	145,269	147,157
Accumulated depreciation	(74,653)	(70,824)
Accumulated impairments	(1,684)	(2,291)
Carrying amount	**68,932**	**74,042**
Fair value at 31 December	*122,001*	*123,649*
Reclassifications[1]		
Cost	-	2,094
Accumulated depreciation	-	(694)
Accumulated impairments	-	(554)
Total	**-**	**846**
Disposals[2]		
Cost	(2,214)	(5,771)
Accumulated depreciation	1,008	2,436
Accumulated impairments	3	793
Total	**(1,203)**	**(2,542)**

The fair value of investment property at 31 December 2013 includes approximately €70,517 thousand representing the sale price applicable to former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects price estimates computed internally by the Company[45].
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 months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

45. 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, licenses, trademarks and similar rights	Assets under contruction and advances	Other	Total
Balance at 1 January 2012					
Cost	1,364,279	2,026	142,052	68,868	1,577,225
Accumulated amortisation	(1,135,362)	(2,018)	-	(68,868)	(1,206,248)
Carrying amount	**228,917**	**8**	**142,052**	**-**	**370,977**
Movements during the year					
Purchases	43,836	-	128,041	-	171,877
Reclassifications	114,513	-	(114,431)	-	82
Disposals	(43)	-	-	-	(43)
Amortisation and impairments	(162,785)	(3)	-	-	(162,788)
Total movements	**(4,479)**	**(3)**	**13,610**	**-**	**9,128**
Balance at 31 December 2012					
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[1]	112,277	-	(112,277)	-	-
Disposals[2]	-	-	-	-	-
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**
Reclassifications[1]					
Cost	112,277	-	(112,277)	-	-
Accumulated amortisation	-	-	-	-	-
Total	**112,277**	**-**	**(112,277)**	**-**	**-**
Disposals[2]					
Cost	-	-	-	(68,868)	(68,868)
Accumulated amortisation	-	-	-	68,868	68,868
Total	**-**	**-**	**-**	**-**	**-**

None of the above items is attributable to BancoPosta RFC.

Investment in intangible assets during 2013 amounted to €190,820 thousand, including €4,909 thousand in internal software development costs and the related expenses.

The increase of €79,900 thousand in industrial patents and intellectual property rights, before amortisation for the year, primarily refers to the purchase and entry into service of new software programmes as a result of the acquisition of software licences.

The balance of intangible assets under construction includes activities primarily regarding the development for software relating to the infrastructure platform[46] (€56,181 thousand), for BancoPosta services (€43,350 thousand), for the postal products platform (€26,461 thousand), for support to the sales network (€19,334 thousand) and to the re-engineering of reporting processes and other business and staff functions (€7,892 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 €112,277 thousand, reflecting the completion and commissioning of software and the evolution of existing software.

A4 - INVESTMENTS

This item includes the following:

tab. A4 - Investments

Item	Balance at 31 December 2013	Balance at 31 December 2012
Investments in subsidiaries	1,811,311	1,429,032
Investments in associates	980	980
Total	**1,812,291**	**1,430,012**

No investments are attributable to BancoPosta RFC.

46. The platform in question combines several software applications used across the Company's systems and segments. The main expenditure on assets under construction regards plans related to service continuity and service delivery – which are intended to ensure the proper transition into production of new applications – and to project engineering – which is designed to create a new operational model for the secure development of applications.

Movements in investments in subsidiaries and associates are as follows:

tab. A4.1 - Movements in investments
Movements in investments during the year ended 31 December 2013

Investments	Balance at 1 January 2013	Additions: Subscriptions/Capital contributions	Additions: Acquisitions	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
Consorzio Servizi Telef. 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**

Movements in investments during the year ended 31 December 2012

Investments	Balance at 1 January 2012	Additions: Subscriptions/Capital contributions	Additions: Acquisitions	Reductions: Sales, liquidations, mergers	Adjustments: Reval.	Adjustments: (Impair.)	Balance at 31 December 2012
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	139,978	-	-	-	-	-	139,978
BancoPosta Fondi SpA SGR	12,000	-	-	-	-	-	12,000
CLP ScpA	263	-	-	-	-	-	263
Consorzio Servizi Telef. Mobile ScpA	61	-	-	-	-	-	61
EGI SpA	191,410	-	-	-	-	-	191,410
Mistral Air Srl	12,269	-	-	-	-	(12,269)	-
PatentiViaPoste ScpA	-	84	-	-	-	-	84
Poste Energia SpA	120	-	-	-	-	-	120
Poste Tributi ScpA	1,808	-	-	-	-	-	1,808
PosteTutela SpA	818	-	-	-	-	-	818
Poste Vita SpA	868,481	-	-	-	-	-	868,481
Postecom SpA	12,789	-	-	-	-	-	12,789
Postel SpA	124,375	-	-	-	-	-	124,375
PosteMobile SpA	71,030	-	-	-	-	-	71,030
PosteShop SpA	5,815	-	-	-	-	-	5,815
SDA Express Courier SpA	45,805	-	-	-	-	(45,805)	-
Total subsidiaries	**1,487,022**	**84**	**-**	**-**	**-**	**(58,074)**	**1,429,032**
in associates							
Telma-Sapienza Scarl	980	-	-	-	-	-	980
Total associates	**980**	**-**	**-**	**-**	**-**	**-**	**980**
Total	**1,488,002**	**84**	**-**	**-**	**-**	**(58,074)**	**1,430,012**

The following movements occurred in 2013:

- payment of €10,000 thousand to Mistral Air Srl to cover losses incurred as of 31 December 2012 and to establish an extraordinary reserve, as approved by the extraordinary General Meeting of the investee company's shareholders on 15 April 2013;
- €7 thousand to subscribe 76% of the share capital of the newly established Poste Holding Participações do Brasil Ltda, the company set up to launch a new Mobile Virtual Network Operator in Brazil under a joint venture with the Brazilian postal provider, Correios;
- subscription of the capital increase carried out by Poste Vita SpA, amounting to €350,000 thousand, in order to provide the company with sufficient capital to fund its expected growth, as approved by the extraordinary General Meetings of the investee company's shareholders on 23 May and 10 December 2013;
- payment of €50,000 thousand to SDA Express Courier SpA to cover losses incurred as of 31 December 2012 and to establish an extraordinary reserve, as approved by the extraordinary General Meeting of the investee company's shareholders on 15 May 2013.

On 18 December 2013 a new shareholder acquired an interest in Telma-Sapienza Scarl, reducing Poste Italiane SpA's interest from 30.20% to 29.74%.

The following transactions took place in early 2014:

- on 6 February 2014 the extraordinary General Meeting of Banca del Mezzogiorno-MedioCredito Centrale SpA's shareholders approved a capital increase of €232,000 thousand, fully subscribed and paid by Poste Italiane SpA;

- a consortium named PosteMotori was established on 11 February 2014 with a consortium fund of €120 thousand. The purpose of the consortium, which is 58.12% owned by Poste Italiane SpA and 22.63% by Postecom SpA, 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 impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment, where applicable. The tests carried out at 31 December 2013 were based on projections contained in the three-year plans for the relevant cash generating units (companies or their subsidiaries) for the period 2014-2016. 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 2013. Whilst awaiting the update of the related three-year plans, the value of the investments in SDA Express Courier SpA and PosteShop SpA was aligned with the investee companies' equity at 31 December 2013 (tab. C8). Poste Italiane SpA has given a commitment to provide financial support and capital for the subsidiaries, SDA Express Courier SpA and Mistral Air Srl.

The following table shows a list of investments in subsidiaries and associates at 31 December 2013:

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 Dec 2013	Difference between equity and carrying amount
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	100	132,509	11,597	157,987	157,987	139,978	18,009
BancoPosta Fondi SpA SGR	100	12,000	11,054	95,807	95,807	12,000	83,807
CLP ScpA	51	516	-	516	263	263	-
Consorzio Servizi Telef. Mobile ScpA[(2)]	51	120	-	120	61	61	-
EGI SpA	55	103,200	(3,662)	437,820	240,801	191,410	49,391
Mistral Air Srl	100	530	(7,429)	(3,276)	(3,276)	10,000	(13,276)
PatentiViaPoste ScpA	69	120	1	121	84	84	-
Poste Energia SpA	100	120	168	1,332	1,332	120	1,212
Poste Holding Participações do Brasil Ltda	76	9	-	-	-	7	(7)
Poste Tributi ScpA	70	2,583	-	2,583	1,808	1,808	-
PosteTutela SpA	100	153	1,140	11,525	11,525	818	10,707
Poste Vita SpA[(2)]	100	1,216,608	253,692	2,711,541	2,711,541	1,218,481	1,493,060
Postecom SpA	100	6,450	4,530	52,057	52,057	12,789	39,268
Postel SpA	100	20,400	4,320	135,815	135,815	124,375	11,440
PosteMobile SpA	100	32,561	15,755	95,415	95,415	71,030	24,385
PosteShop SpA	100	2,582	46	4,852	4,852	4,852	-
SDA Express Courier SpA	100	30,000	(20,445)	23,235	23,235	23,235	-
in associates							
Telma-Sapienza Scarl[(3)]	29.74	1,647	-	-	-	980	(980)

(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 unavailable.

A5 - FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA

Financial assets attributable to BancoPosta break down as follows at 31 December 2013.

tab. A5 - Financial assets attributable to BancoPosta

		Balance at 31 December 2013			Balance at 31 December 2012		
Item	Note	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Receivables		-	6,828,178	6,828,178	-	7,817,432	7,817,432
Held-to-maturity financial assets		13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Fixed income instruments	[tab. A5.2]	13,787,533	1,433,629	15,221,162	11,807,059	2,241,009	14,048,068
Available-for-sale financial assets		23,370,344	1,050,771	24,421,115	21,714,895	741,073	22,455,968
Fixed income instruments	[tab. A5.2]	23,322,932	1,050,771	24,373,703	21,685,543	741,073	22,426,616
Equity instruments		47,412	-	47,412	29,352	-	29,352
Derivative financial instruments		32,560	(473)	32,087	-	12,157	12,157
Cash flow hedges		30,451	1,240	31,691	-	12,157	12,157
Fair value hedges		2,109	(1,713)	396	-	-	-
Total		**37,190,437**	**9,312,105**	**46,502,542**	**33,521,954**	**10,811,671**	**44,333,625**

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 (note 4.2).

Receivables

tab. A5.1 - Financial receivables attributable to BancoPosta

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Amounts deposited with the MEF	-	5,078,026	5,078,026	-	5,416,414	5,416,414
MEF on behalf of the Italian Treasury	-	1,008,096	1,008,096	-	1,325,394	1,325,394
Other financial receivables	-	742,056	742,056	-	1,075,624	1,075,624
Total	**-**	**6,828,178**	**6,828,178**	**-**	**7,817,432**	**7,817,432**

This item includes:

- **Amounts deposited with the MEF**, totalling €5,078,026 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. During 2013, the Company acquired derivative financial instruments to convert a part of the return on these deposits to a fixed rate. The transaction aims to fix the principal rate of return (the yield on 5-year BTPs) for 2013 through a series of forward purchases of 5-year BTPs, without delivery of the underlying instrument, but with payment of the differential between the fixed price of the instrument and its market value, at the same dates provided for in the agreement with the MEF for resetting the rate in question.

- **MEF on behalf of the Italian Treasury**, amounting to €1,008,096 thousand, consisting of:

tab. A5.1.1 - MEF on behalf of Italian Treasury

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Balance of cash flows for advances	-	1,192,870	1,192,870	-	1,699,094	1,699,094
Balance of cash flows from management of postal savings	-	7,416	7,416	-	(178,678)	(178,678)
Amounts payable due to theft	-	(158,329)	(158,329)	-	(159,708)	(159,708)
Amounts payable for operational risks	-	(33,861)	(33,861)	-	(35,314)	(35,314)
Total	**-**	**1,008,096**	**1,008,096**	**-**	**1,325,394**	**1,325,394**

The *balance of cash flows for advances*, amounting to €1,192,870 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, breaking down as follows:

tab. A5.1.1 a) - Balance of cash flows for advances

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	-	1,199,227	1,199,227	-	1,700,950	1,700,950
MEF postal current accounts and other payables	-	(672,869)	(672,869)	-	(673,149)	(673,149)
Ministry of Justice - Orders for payment	-	(2,187)	(2,187)	-	697	697
MEF - State pensions	-	668,699	668,699	-	670,596	670,596
Total	**-**	**1,192,870**	**1,192,870**	**-**	**1,699,094**	**1,699,094**

The *balance of cash flows from management of postal savings*, amounting to €7,416 thousand, represents the balance of deposits less withdrawals during the last two days of the year and cleared early in the following year. The balance at 31 December 2013 consists of €56,024 thousand payable to Cassa Depositi e Prestiti and €63,440 thousand receivable from the MEF for the issue of interest-bearing Postal Certificates on its behalf.

The Company is liable to the MEF on behalf of the Italian Treasury for *amounts payable due to theft*, totalling €158,329 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	2013	2012
Balance at 1 January		**159,708**	**160,224**
Amounts payable for thefts during the year	[tab. C8]	6,265	6,909
Repayments made		(7,644)	(7,425)
Balance at 31 December		**158,329**	**159,708**

During 2013 Poste Italiane SpA made repayments of €3,702 thousand to the Italian Treasury for thefts that took place up to 31 December 2012, while repayments for thefts occurring in the first half of 2013 totalled €3,818 thousand. A further €124 thousand was repaid following rulings by the Italian Court of Auditors in respect of thefts occurring up to 31 December 1993.

Amounts payable for operational risks (€33,861 thousand) regard the portion of advances obtained to fund the operations of BancoPosta, relating to advances for transactions for which there were insufficient funds, and for which reversal 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

	2013		2012	
Balance at 1 January		**35,314**		**127,514**
New payables for operational risks	3,111		2,272	
Operational risks that did not occur	(3,485)		(2,860)	
		(374)		(588)
Repayments made		(2,729)		(95,226)
Reclassifications from provisions for disputes		1,650		3,614
Balance at 31 December		**33,861**		**35,314**

• **Other financial receivables**, amounting to €742,056 thousand, consist of:

tab. A5.1.2 - Other financial receivables

Item	Balance at 31 December 2013	Balance at 31 December 2012
Guarantee deposits	344,365	517,265
Other amounts to be charged to customers	270,491	246,417
Cheques drawn on third parties to be debited to customer accounts	73,180	148,333
BancoPosta ATM withdrawals to be debited to customer accounts	23,727	134,616
Items awaiting settlement with the banking system	20,725	22,060
Other receivables	9,568	6,934
Total	**742,056**	**1,075,625**

Guarantee deposits, totalling €344,365 thousand, relate to sums of €342,945 thousand provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes), and €1,420 thousand provided to counterparties in repo transactions for fixed income securities (collateral provided by specific Global Master Repurchase Agreements).
Other amounts to be charged to customers, amounting to €270,491 thousand, primarily regard the use of debit cards issued by BancoPosta, totalling €144,747 thousand, cheques and other collection items settled in the clearing house of €104,735 thousand, amounts due from commercial partners, totalling €18,099 thousand, for providing Postepay top-ups.

Investments in securities

Investments in securities relate to investments in fixed income euro area government securities with a nominal value of €37,720,650 thousand, consisting of Italian government securities. Movements in investment securities are as follows:

tab. A5.2 - Movements in investment securities

	HTM		AFS		FVPL		Total	
Securities	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 31 December 2011	**14,237,650**	**14,363,893**	**15,805,550**	**13,442,018**	**-**	**-**	**30,043,200**	**27,805,911**
Purchases	185,000	199,674	7,595,000	7,622,447	3,275,000	3,240,395	11,055,000	11,062,516
Redemptions	(520,000)	(520,000)	(544,700)	(544,700)	-	-	(1,064,700)	(1,064,700)
Transfers to equity	-	-	-	1,513	-	-	-	1,513
Change in amortised cost	-	7,690	-	46,623	-	-	-	54,313
Changes in fair value through equity	-	-	-	2,994,626	-	-	-	2,994,626
Changes in fair value through profit or loss	-	-	-	213,381	-	-	-	213,381
Changes in cash flow hedge transactions(*)	-	-	-	30,007	-	-	-	30,007
Effect of sales on profit or loss	-	-	-	50,398	-	107,826	-	158,224
Accrued income for current year	-	220,480	-	282,276	-	-	-	502,756
Sales and settlement of accrued income	-	(223,669)	(1,380,000)	(1,711,973)	(3,275,000)	(3,348,221)	(4,655,000)	(5,283,863)
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**

(*) 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 2013 the fair value[47] of the held-to-maturity portfolio[48], accounted for at amortised cost, is €16,013,783 thousand (including €227,513 thousand in accrued interest).

Securities with a nominal value of €5,196,801 thousand are encumbered as follows:
- €5,090,003 thousand used as collateral for repurchase agreements;
- €106,798 thousand used as collateral for asset swaps.

The fair value of the available-for-sale portfolio is €24,373,703 thousand (including €274,435 thousand in accrued interest). The overall fair value gain of €639,711 thousand for the period was recognised in equity, with the gain on the portion of the portfolio not hedged by fair value hedges (€876,402 thousand) recognised in equity and the loss of €236,691 thousand on the hedged portion through profit or loss.

Securities with a nominal value of €139,000 thousand are encumbered as they have been used as collateral for repurchase agreements entered into through to 31 December 2013.

Investments in equity instruments

Equity instruments include:
- €45,586 thousand relating to the fair value of 75,628 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;
- €1,709 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 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 period amount to €18,060 thousand and have been recognised in the relevant equity reserve (section B3).

47. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.
48. Sales and purchases during the year reflect actions taken to adjust the securities portfolio to the estimated structure of the deposit base, as updated over a time horizon reduced from 30 to 20 years, partly as a result of recommendations following a Supervisory Authority inspection.

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					
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales		Total	
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2012	**800,000**	**(31,281)**	**3,533,750**	**(122,555)**	**3,700,000**	**(389,544)**	**1,050,000**	**5,911**	**-**	**-**	**9,083,750**	**(537,469)**
Increases/(Decreases)(*)	1,625,000	121,303	-	80,400	-	(225,547)	-	60,535	2,225,000	(6,520)	3,850,000	30,171
Discontinued CFHs	(575,000)	(47,858)	-	-	-	-	575,000	47,858	-	-	-	-
Gains/(Losses) through profit or loss(**)	-	-	-	(368)	-	(592)	-	-	-	-	-	(960)
Transactions settled(***)	(1,050,000)	(30,007)	(950,000)	(169,476)	-	11,566	(1,625,000)	(114,304)	(2,225,000)	6,520	(5,850,000)	(295,701)
Balance at 31 December 2012	**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)**
of which:												
Derivative assets	-	-	400,000	31,691	200,000	396	-	-	-	-	600,000	32,087
Derivative liabilities	-	-	1,825,000	(103,300)	3,700,000	(367,673)	-	-	-	-	5,525,000	(470,973)

(*) 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 activities.
(***) Transactions settled include forward transactions settled, accrued differentials and the extinguishment 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 €188,216 thousand, which is reflected in the cash flow hedge reserve.

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 an increase in fair value of €221,735 thousand, whilst the hedged securities (tab. A5.2) have recorded a fair value loss of €236,691 thousand, with the difference of €14,956 thousand due to paid or accruing differentials.

With regard to derivative financial instruments measured at fair value through profit or loss, the Company made forward purchases and spot sales for a total notional amount of €362,224 thousand to stabilise the return for 2013 on current account deposits of Public Sector entities placed with the MEF, originally earning interest at a variable rate. Overall these transactions have generated a total net gain of €22,329 thousand through profit or loss.

A6 - FINANCIAL ASSETS

At 31 December 2013 financial assets outside the ring-fence are as follows:

tab. A6 - Financial assets

Item	Balance at 31 December 2013			Balance at 31 December 2012		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	555,764	694,442	1,250,206	661,251	510,200	1,171,451
Loans	540,000	443,019	983,019	541,200	226,082	767,282
Receivables	15,764	251,423	267,187	120,051	284,118	404,169
Available-for-sale financial assets	594,030	166,367	760,397	501,530	10,052	511,582
Equity instruments	79,500	-	79,500	4,500	-	4,500
Fixed income instruments	514,530	161,365	675,895	497,030	5,807	502,837
Other investments	-	5,002	5,002	-	4,245	4,245
Total	**1,149,794**	**860,809**	**2,010,603**	**1,162,781**	**520,252**	**1,683,033**

Loans and receivables

Loans

Loans refer entirely to amounts due from Group companies, and break down as follows:

Non-current portion:

- €540,000 thousand relating to four subordinated bonds issued by 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.

Current portion:

- €443,019 thousand in short-term loans repayable by the end of 2014 and overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans break down as follows:

tab. A6.1 - Current portion of loans

Name	Balance at 31 December 2013 Loans	Intercompany accounts	Total	Balance at 31 December 2012 Loans	Intercompany accounts	Total
Direct subsidiaries						
Banca del Mezzogiorno-MedioCredito Centrale SpA	250,074	-	250,074	-	-	-
Mistral Air Srl	3,007	9,812	12,819	3,012	11,838	14,850
PatentiViaPoste ScpA	-	99	99	-	-	-
Poste Energia SpA	-	1,032	1,032	-	2,048	2,048
Poste Tributi ScpA	-	5,483	5,483	-	-	-
Postel SpA	1,203	59,852	61,055	4,086	90,106	94,192
PosteShop SpA	-	4,688	4,688	-	1,537	1,537
SDA Express Courier SpA	-	103,589	103,589	25,098	84,055	109,153
	254,284	184,555	438,839	32,196	189,584	221,780
Accrued interest on non-current loans	4,180	-	4,180	4,302	-	4,302
Total	**258,464**	**184,555**	**443,019**	**36,498**	**189,584**	**226,082**

Receivables

Receivables break down as follows:

tab. A6.2 - Receivables

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Due from the MEF	3,059	221,828	224,887	107,052	246,968	354,020
repayment of loans accounted for in liabilities	3,059	218,198	221,257	107,052	246,968	354,020
repayment of interest on loan Law 887/1984	-	3,630	3,630	-	-	-
Guarantee deposits	-	29,595	29,595	-	37,150	37,150
Due from the purchasers of service accommodation	12,705	-	12,705	12,999	-	12,999
Due from others	-	391	391	-	476	476
Provisions for doubtful debts	-	(391)	(391)	-	(476)	(476)
Total	**15,764**	**251,423**	**267,187**	**120,051**	**284,118**	**404,169**

The amount **due from the MEF** of €221,257 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, were posted in the accounts. Poste Italiane SpA is liable for interest expense through to maturity.

This receivable (with a fair value[49] of €224,987 thousand at 31 December 2013) is represented by the amortised cost[50] of the receivable with a nominal value of €226,417 thousand, which is expected to be collected by 2016. The nominal value of these receivables breaks down as follows:

Legislation	Nominal value of receivable
Law 227/1975 mechanisation of postal service	8,612
Law 39/1982 subsequent changes to postal service	118,654
Law 887/1984	98,119
Law 41/1986	1,032
Total	**226,417**

On the basis of the laws referred to below, these receivables are non-interest-bearing as they relate to loans for which only the principal is to be repaid by the government, with the exception of the loan linked to Law 887/1984[51].
During 2013 the Company collected receivables with a nominal value of €142,188 thousand and estimated accrued finance income on the present value of the receivables to be €9,425 thousand.
The difference of €109,441 thousand between the nominal value of the receivable and the nominal value of the payable of €116,976 thousand (tab. B7.1), corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2013, which was collected in full in February 2014.

Guarantee deposits of €29,595 thousand relate to €26,780 thousand deposited with counterparties with whom the Company has entered into asset swaps and €2,815 thousand with counterparties with whom repurchase agreements involving fixed income securities are in place.

49. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.
50. 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.
51. Interest was originally to be paid on this loan, but payments were suspended between 2001 and 2006, as a result of changes to the government's budget. Interest accrued to 31 December 2013 was, instead, paid to Poste Italiane SpA from 2007.

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 2012	**4,500**	**500,000**	**428,945**	**98,550**	**98,158**	**531,603**
Purchases	-	-	-	-	-	
Redemptions	-	-	-	(93,550)	(93,550)	(93,550)
Transfers to equity reserves	-	-	-	-	-	
Changes in amortised cost	-	-	333	-	-	333
Changes in fair value through equity	-	-	44,555	-	48	44,603
Changes in fair value through profit or loss	-	-	28,973	-	-	28,973
Effects of sales on profit or loss	-	-	-	-	-	-
Accrued income for current year	-	-	5,807	-	-	5,807
Sales and settlement of accrued income	-	-	(5,776)	-	(411)	(6,187)
Balance at 31 December 2012	**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**

Equity instruments

These include:
- the cost of €75,000 thousand incurred to acquire a 19.48% equity interest in Alitalia SpA on 23 December 2013, following a new share issue approved by the company's shareholders at the extraordinary General Meeting held on 14 and 15 October 2013[52];
- the historical cost of the 15% interest in Innovazione e Progetti ScpA, which is in liquidation. The value is unchanged with respect to the previous year.

Fixed income instruments

This item regards BTPs with a total nominal value of €650,000 thousand (a fair value of €675,895 thousand), including €150,000 thousand acquired during 2013. 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).

52. At 31 December 2013, in connection with the capital increase, Poste Italiane SpA's equity interest temporarily reached 20.88%, which was eventually diluted in January 2014 as a result of the conversion of a subordinated loan, as already known at the time of the investment.

Other investments

This item relates to units of equity mutual investment funds with a fair value of €5,002 thousand.

Derivative financial instruments

Movements in derivative financial instruments are as follows:

tab. A6.4 - Movements in derivative financial instruments

	2013				2012			
	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	**-**	**(40,074)**	**-**	**(40,074)**	**-**	**(9,531)**	**-**	**(9,531)**
Increases/(Decreases)	-	6,885	(337)	6,548	-	(34,348)	-	(34,348)
Gains/(Losses) through profit or loss	-	25	-	25	-	7	-	7
Transactions settled	-	7,988	-	7,988	-	3,798	-	3,798
Balance at 31 December	**-**	**(25,176)**	**(337)**	**(25,513)**	**-**	**(40,074)**	**-**	**(40,074)**
of which:								
Derivative assets	-	-	-	-	-	-	-	-
Derivative liabilities	-	(25,176)	(337)	(25,513)	-	(40,074)	-	(40,074)

At 31 December 2013 outstanding derivative financial instruments report fair value[53] losses of €25,513 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%.

53. The fair value of these derivative instruments is based on the present value of expected cash flows deriving from the differentials to be exchanged.

A7 - TRADE RECEIVABLES

Trade receivables break down as follows:

tab. A7 - Trade receivables

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Customers	95,451	2,018,000	2,113,451	138,703	2,144,654	2,283,357
Subsidiaries	-	256,359	256,359	-	261,958	261,958
Associates	-	4,119	4,119	-	4,325	4,325
MEF	-	1,054,307	1,054,307	-	1,039,347	1,039,347
Total	**95,451**	**3,332,785**	**3,428,236**	**138,703**	**3,450,284**	**3,588,987**
of which attributable to BancoPosta RFC	-	1,392,484	1,392,484	-	1,495,868	1,495,868

Receivables due from customers

tab. A7.1 - Receivables due from customers

Item	Balance at 31 December 2013 Non-current assets	Current assets	Total	Balance at 31 December 2012 Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	893,418	893,418	-	948,046	948,046
Ministries and Public Sector entities	92,337	653,276	745,613	135,589	685,171	820,760
Overseas counterparties	-	198,344	198,344	-	217,495	217,495
Overdrawn current accounts	-	140,431	140,431	-	125,875	125,875
Unfranked mail delivered	21,114	169,689	190,803	23,114	202,127	225,241
Amounts due for other BancoPosta services	-	78,197	78,197	-	93,574	93,574
Other trade receivables	-	250,719	250,719	-	230,705	230,705
Provisions for doubtful debts	(18,000)	(366,074)	(384,074)	(20,000)	(358,339)	(378,339)
Total	**95,451**	**2,018,000**	**2,113,451**	**138,703**	**2,144,654**	**2,283,357**
of which attributable to BancoPosta RFC	-	1,114,288	1,114,288	-	1,143,304	1,143,304

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:
  - *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office - Publishing department): €144,700 thousand, corresponding to a nominal value of €153,965 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 and the best information available. For this reason the sum of €92,337 thousand (corresponding to a nominal value of €101,602 thousand) is classified in "Non-current assets";

- INPS: €90,280 thousand, of which €87,460 thousand due for the payment of pensions and other employment-related payment services;
- *Ministero dello Sviluppo Economico* (Ministry for Economic Development): €68,779 thousand, including €64,082 thousand as reimbursement of the costs associated with the management of property, vehicles and security, of which €3,212 thousand relates to the amount accrued during the year;
- Tax authorities: €52,449 thousand, including mainly: the delivery of unfranked mail (€24,994 thousand), integrated mail management (€7,395 thousand), tax refunds (€8,894 thousand) and tax collection (€3,415 thousand);
- *Ministero della Giustizia* (Ministry of Justice): €51,734 thousand, primarily for the delivery of administrative notices (€29,525 thousand), for the payment service provided by BancoPosta for legal system expenses (€19,137 thousand) and the delivery of unfranked mail (€3,072 thousand);
- *Comune di Milano* (Municipality of Milan): €36,032 thousand, primarily for the delivery of administrative notices;
- *Ministero dell'Interno* (Ministry of Internal Affairs): €30,170 thousand, primarily for the delivery of administrative notices (€25,145 thousand) and the delivery of unfranked mail (€4,419 thousand);
- Equitalia group: €26,311 thousand, including €23,724 thousand for the notification of tax assessments;
- *Regione Lazio* (Lazio Regional Authority): €20,084 thousand, primarily for the delivery of administrative notices.

• Receivables from **Overseas counterparties** include €198,065 thousand for postal services carried out for overseas postal operators, and €279 thousand relating to international telegraphic services.
• Receivables for **Overdrawn current accounts** are amounts due for temporarily overdrawn current accounts largely due to recurring bank charges, including accumulated sums that BancoPosta is in the process of recovering, which have largely been written down.
• Receivables arising from **Unfranked mail delivered** include €79,836 thousand in amounts due from customers who use the service on their own behalf and €89,853 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.
• **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 €47,877 thousand.
• **Other trade receivables** include mainly: €39,538 thousand for Advice and Billing Mail, €32,012 thousand related to Posta Target services, €27,925 thousand for telegraphic services, €18,507 thousand related to the Posta Service service and €15,442 thousand to parcel post operations.

Movements in **provisions for doubtful debts** are as follows:

tab. A7.2 - Movements in provisions for doubtful debts

	Balance at 1 Jan 2012	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2012	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2013
Overseas postal operators	7,095	(3,539)	-	-	3,556	4,540	-	-	8,096
Public Sector entities	137,045	15,454	3,212	(102)	155,609	(1,191)	3,212	(20,556)	137,074
Private customers	196,328	16,279	-	(9,349)	203,258	18,849	-	(771)	221,336
	340,468	**28,194**	**3,212**	**(9,451)**	**362,423**	**22,198**	**3,212**	**(21,327)**	**366,506**
Interest on late payments	12,173	7,941	-	(4,198)	15,916	7,175	-	(5,523)	17,568
Total	**352,641**	**36,135**	**3,212**	**(13,649)**	**378,339**	**29,373**	**3,212**	**(26,850)**	**384,074**
of which attributable to BancoPosta RFC	126,117	6,957	-	(12)	133,062	8,704	-	(21,143)	120,623

Provisions regarding amounts due from 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. Use refers mainly to reclassifications.
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 - Receivables due from subsidiaries

Name	Balance at 31 December 2013	Balance at 31 December 2012
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	1,712	415
BancoPosta Fondi SpA SGR	4,451	3,597
CLP ScpA	18,559	9,506
Consorzio per i Servizi di Telefonia Mobile ScpA	1,753	1,729
EGI SpA	1,057	992
Mistral Air Srl	1,510	1,152
PatentiViaPoste ScpA	1,060	-
Poste Energia SpA	204	152
Poste Tributi ScpA	4,060	4,293
Poste Tutela SpA	236	226
Poste Vita SpA	88,024	72,954
Postecom SpA	4,498	905
Postel SpA	78,529	133,875
PosteMobile SpA	38,398	19,135
PosteShop SpA	1,223	1,563
SDA Express Courier SpA	3,672	5,178
Indirect subsidiaries		
Address Software Srl	4	4
Docutel SpA	-	4
Italia Logistica Srl	2,823	2,045
Kipoint SpA	12	15
Poste Assicura SpA	4,054	3,958
PostelPrint SpA	440	195
Uptime SpA[1]	80	65
Total	**256,359**	**261,958**
of which attributable to BancoPosta RFC	99,066	74,959

[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 (€87,187 thousand);
- Postel SpA: mainly relating to receivables deriving from the delivery of Bulk Mail by Poste Italiane SpA and collected by the subsidiary (€71,327 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 2013	Balance at 31 December 2012
Universal Service compensation	751,101	645,294
Publisher tariff and electoral subsidies	156,032	159,924
Remuneration of current account deposits	150,365	249,040
Payment for delegated services	36,418	36,322
Payment for distribution of euro coins	6,026	6,026
Other	4,419	4,689
Provisions for doubtful debts due from the MEF	(50,054)	(61,948)
Total	**1,054,307**	**1,039,347**
of which attributable to BancoPosta RFC	179,130	277,605

Specifically:

- **Universal Service compensation** includes €342,820 thousand accrued for the year under review, €349,888 thousand 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 payments due in relation to 2005.
- **Electoral subsidies** include €56,149 accruing in 2013, with the remainder attributable to previous years.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2013 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 for treasury services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF that expired on 31 December 2013. €28,446 thousand relates to amounts accruing in 2013, whilst the balance of €7,972 thousand relates to amounts due for 2008 and 2007.

At 31 December 2013, 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 Jan 2012	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2012	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2013
Provisions for doubtful debts	82,712	(9,045)	-	(11,719)	61,948	(11,894)	-	-	50,054
Total	**82,712**	**(9,045)**	**-**	**(11,719)**	**61,948**	**(11,894)**	**-**	**-**	**50,054**
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 based on the related financial impact. During 2013 part of these provisions was released to profit or loss due to the likely collection of receivables that had been considered doubtful.

A8 - OTHER RECEIVABLES AND ASSETS

This item breaks down as follows:

tab. A8 - Other receivables and assets

		Balance at 31 December 2013			Balance at 31 December 2012		
Item	Note	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		355,022	525,089	880,111	172,745	417,081	589,826
Receivable from fixed-term contract settlements		191,513	106,458	297,971	225,917	88,027	313,944
Amounts due from social security agencies and pension funds (excluding fixed-term contracts settlements)		-	77,899	77,899	-	89,521	89,521
Amounts that cannot be drawn on due to court rulings		-	64,425	64,425	-	85,528	85,528
Accrued income and prepaid expenses from trading transactions and other assets		-	12,632	12,632	-	14,814	14,814
Tax assets		-	7,677	7,677	-	5,163	5,163
Amounts due from subsidiaries		-	1,242	1,242	-	193,640	193,640
Sundry receivables		6,242	77,349	83,591	6,012	96,100	102,112
Provisions for doubtful debts due from others		-	(51,046)	(51,046)	(1,268)	(54,879)	(56,147)
Other receivables and assets		**552,777**	**821,725**	**1,374,502**	**403,406**	**934,995**	**1,338,401**
Interest accrued on IRES refund	[C10]	-	58,856	58,856	-	-	**-**
Total		**552,777**	**880,581**	**1,433,358**	**403,406**	**934,995**	**1,338,401**
of which attributable to BancoPosta RFC		355,022	584,375	939,397	172,745	513,441	686,186

Specifically:

- **Substitute tax paid**, which is attributable to BancoPosta RFC, primarily regards:
  - €355,022 thousand charged to holder of interest-bearing postal savings certificates for stamp duty at 31 December 2013[54]. This amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the interest-bearing postal savings certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €268,741 thousand relating to stamp duty to be paid in virtual form in 2014 and to be charged to customers;
  - €162,625 thousand relating to stamp duty to be charged to postal savings book holders, which the Company pays in virtual form as required by law;
  - €48,570 thousand to withholding tax on interest paid to current account holders for 2013, which is to be recovered from customers.
- 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 con-

54. Introduced by art. 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 art. 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).

tracts. This item refers to receivables with a present value of €297,971 thousand due 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:

tab A8.1 - Receivables from fixed-term contracts settlements

	Balance at 31 December 2013				Balance at 31 December 2012			
Descrizione	Non-current assets	current assets	Total	Nominal value	Non-current assets	current assets	Total	Nominal value
Receivables								
due from staff under agreement of 2006	10,139	3,863	14,002	15,644	13,050	8,279	21,329	23,613
due from staff under agreement of 2008	73,224	21,999	95,223	107,909	89,956	22,540	112,496	129,364
due from staff under agreement of 2010	50,116	10,402	60,518	79,248	56,553	12,573	69,126	90,821
due from staff under agreement of 2012	43,579	9,847	53,426	68,261	46,005	14,886	60,891	75,911
due from staff under agreement of 2013	7,178	2,319	9,497	11,041	-	-	-	-
due from former IPOST	-	41,529	41,529	41,529	13,530	27,686	41,216	41,529
due from INPS	7,277	11,620	18,897	21,370	6,823	2,063	8,886	11,120
due from pension fund	-	4,879	4,879	4,879	-	-	-	-
Total	**191,513**	**106,458**	**297,971**		**225,917**	**88,027**	**313,944**	

- Amounts that **cannot be drawn on due to court rulings** include €51,346 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 currently deposited with an overseas bank, which 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

Item	Balance at 31 December 2013	Balance at 31 December 2012
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	2
CLP ScpA	3	3
EGI SpA	137	97
PatentiViaPoste ScpA	-	49
Poste Vita SpA	-	193,084
Postecom SpA	663	169
Postel SpA	-	17
Poste Tributi ScpA	2	-
PosteMobile SpA	335	103
PosteShop SpA	100	87
PosteTutela SpA	2	21
SDA Express Courier SpA	-	8
Total	**1,242**	**193,640**
of which attributable to BancoPosta RFC	-	21

The amount receivable from Poste Vita SpA, which at 31 December 2012 corresponded to current tax liabilities payable to Poste Italiane SpA as the consolidating entity in the tax consolidation arrangement, was settled in 2013.

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 Jan 2012	Net provisions	Uses	Balance at 31 Dec 2012	Net provisions	Uses	Balance at 31 Dec 2013
Public Sector entities for sundry services	21,176	(6,857)	-	14,319	(81)	(1,201)	13,037
Receivables from fixed-term contract settlements	2,189	-	-	2,189	3,724	-	5,913
Other receivables	31,265	8,990	(616)	39,639	(7,543)	-	32,096
Total	**54,630**	**2,133**	**(616)**	**56,147**	**(3,900)**	**(1,201)**	**51,046**
of which attributable to BancoPosta RFC	24,958	(5,783)	-	19,175	(47)	(1,201)	17,927

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 2013	Balance at 31 December 2012
Cash and cash equivalents in hand	2,596,677	2,474,212
Cheques	50	798
Bank deposits	482,966	704,691
Total	**3,079,693**	**3,179,701**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (interest-bearing Postal Certificates and post office 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 (€940,216 thousand) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€1,656,461 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 €473,314 thousand.

A10 - CASH AND CASH EQUIVALENTS

This item breaks down as follows:

tab. A10 - Cash and cash equivalents

Item	Balance at 31 December 2013	Balance at 31 December 2012
Deposits with the MEF	529,414	1,397,125
Bank deposits and amounts held at the Italian Treasury	50,243	51,106
Cash and cash equivalents in hand	7,995	10,044
Total	**587,652**	**1,458,275**
of which attributable to BancoPosta RFC	543,755	1,413,474

At 31 December 2013 **cash deposited with the MEF** – held in the so-called Buffer account – includes approximately €353,974 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 €13,545 thousand whose use is restricted by court orders related to different disputes.

A11 - NON-CURRENT ASSETS HELD FOR SALE

This item, regarding assets outside the ring-fence, breaks down as follows:

tab. A11 - Non-current assets held for sale

	2013	2012
Balance at 1 January		
Cost	225	12,610
Accumulated depreciation	(96)	(5,577)
Impairments	-	(465)
Carrying amount	**129**	**6,568**
Movements during the year		
Purchases	-	-
Reclassifications of non-current assets[1]	-	(6,320)
Disposals[2]	(129)	(119)
Reclassification from provisions for other risks and charges	-	-
Total movements	**(129)**	**(6,439)**
Balance at 31 December		
Cost	-	225
Accumulated depreciation	-	(96)
Impairments	-	-
Carrying amount	**-**	**129**
Reclassifications[1]		
Cost	-	(12,244)
Accumulated depreciation	-	5,459
Accumulated impairments	-	465
Total	**-**	**(6,320)**
Disposals[2]		
Cost	(225)	(141)
Accumulated depreciation	96	22
Accumulated impairments	-	-
Total	**(129)**	**(119)**

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 2013 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 8 May 2013, the Company paid dividends totalling €250,000 thousand in June, based on a dividend per share of €0.19.

The other shareholder transactions of €568,407 thousand, as shown in the statement of changes in equity, refer to 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. 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 art. 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".
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 at 31 December 2013.
The interest income component of €125,183 thousand, included in the sum due from the MEF, entailed recognition of a current tax liability of €34,425 thousand and deferred tax assets of the same amount. The relevant effects have been recognised in retained earnings.

B3 - RESERVES

tab. B3 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2012	**225,939**	**1,000,000**	**(2,050,522)**	**(185,972)**	**(1,010,555)**
Increases/(Decreases) in fair value during the year	-	-	3,045,912	201,703	3,247,615
Tax effect of changes in fair value	-	-	(977,466)	(65,123)	(1,042,589)
Transfers to profit or loss	-	-	11,455	(111,623)	(100,168)
Tax effect of transfers to profit or loss	-	-	(3,693)	35,795	32,102
Gains/(Losses) recognised in equity	-	-	2,076,208	60,752	2,136,960
Attribution of profit for 2011	37,183	-	-	-	37,183
Balance at 31 December 2012	**263,122**	**1,000,000**	**25,686**	**(125,220)**	**1,163,588**
of which attributable to BancoPosta RFC	-	1,000,000	52,816	(125,220)	927,596
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

Details are as follows:

- the **fair value reserve** regards changes in the fair value of available-for-sale financial assets, for which, during 2013, fair value gains totalling €927,967 thousand regarded:
  - for €894,462 thousand the net fair value gain on available-for-sale financial assets attributable to BancoPosta RFC, consisting of €876,402 thousand in gains on securities and €18,060 thousand in gains on equity instruments;
  - for €33,505 thousand 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 2013 net fair value gains of €188,216 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.

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 2013

Item	Balance at 31 Dec 2012	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 Dec 2013
Provisions for non-recurring charges	213,272	87,645[1]	-	(6,840)	(32,268)	261,809
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/social security 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)**	**1,088,827**
Provisions for tax consolidation liabilities	14,193	65[3]	-	-	(14,258)	-
Total	**1,354,188**	**368,589**	**2,737**	**(221,947)**	**(414,740)**	**1,088,827**
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.

Movements in provisions for risks and charges in the year ended 31 December 2012

Item	Balance at 31 Dec 2011	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 Dec 2012
Provisions for non-recurring charges	224,381	17,501	-	(18,107)	(10,503)	213,272
Provisions for disputes with third parties	321,549	96,318	1,499	(49,048)	(34,126)	336,192
Provisions for disputes with staff[1]	460,353	121,774	-	(140,777)	(99,229)	342,121
Provisions for personnel expenses	356,508	127,410	-	(66,499)	(244,502)	172,917
Provisions for restructuring charges	-	190,000	-	-	-	190,000
Provisions for expired and statute barred postal savings certificates	12,349	-	509	-	(201)	12,657
Provisions for taxation/social security contributions	7,787	-	-	-	(188)	7,599
Other provisions	95,247	3,636	-	(23,700)	(9,946)	65,237
	1,478,174	**556,639**	**2,008**	**(298,131)**	**(398,695)**	**1,339,995**
Provisions for tax consolidation liabilities	14,796	4,404[2]	-	-	(5,007)	14,193
Total	**1,492,970**	**561,043**	**2,008**	**(298,131)**	**(403,702)**	**1,354,188**
of which attributable to BancoPosta RFC	295,577	24,786	819	(23,483)	(15,687)	282,012
Overall analysis of provisions:						
- non-current portion	504,940					503,474
- current portion	988,030					850,713
	1,492,970					**1,354,188**

(1) Net provisions of €31,038 thousand for personnel expenses and €12,035 thousand for service costs (legal assistance).
(2) 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. The related 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. Uses of €32,268 thousand refer to liabilities identified or settled during the year. Releases to profit or loss, amounting to €6,840 thousand, relate to contingent liabilities 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 €70,060 thousand reflect the estimated value of new liabilities measured on the basis of expected outcomes. A reduction of €78,239 thousand relates to the reversal of contingent liabilities, whilst a reduction of €14,315 thousand regards the value of disputes settled. Releases in 2013 included €39 million related to the positive decision of the Council of State, which on 9 January 2014 found in favour of the Company in its challenge to the investigation initiated by the Italian Antitrust Authority on 15 October 2009, regarding deregulated postal services (note 6 - *Proceedings pending and relations with the authorities*).
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €62,178 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 €59,043 thousand regard amounts used to cover the cost of settling disputes, including €1,658 thousand for the 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 €55,548 thousand to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€27,672 thousand) and settled disputes (€98,806 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 by 31 December 2014. Provisions of €190,000 thousand were used during the period under review.
- **Provisions for expired and statute barred postal savings 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 decision to redeem such certificates even if expired and statute barred. At 31 December 2013 the provisions represent the present value of total liabilities, based on a nominal value of €21,644 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, 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 €1,756 thousand for the year regard the latter two types of liability.
- **Provisions for tax consolidation liabilities** were reduced to zero in 2013 following implementation of the Group's new tax consolidation rules (note 2.2 - *Summary of significant accounting standards and policies*).

B5 - EMPLOYEE TERMINATION BENEFITS

The following movements in employee termination benefits took place in 2013:

tab. B5 - Movements in provisions for employee termination benefits

		2013		2012
Balance at 1 January		**1,398,665**		**1,162,602**
interest component	41,677		56,455	
effect of actuarial gains/(losses)	(78,658)		273,308	
Provisions for the year		(36,981)		329,763
Uses for the year		(70,640)		(93,700)
Reductions due to fixed-term contract settlements of 2012 and 2013		(181)		-
Re-alignment fixed-term contract settlements of 2008 and 2010		10,753		-
Balance at 31 December		**1,301,616**		**1,398,665**
of which attributable to BancoPosta RFC		18,217		18,848

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 €70,640 thousand, of which €68,103 thousand relates to benefits paid, €2,898 thousand to substitute tax and €361 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 2013	At 30 June 2013	At 31 December 2012
Discount rate	3.17%	3.12%	2.69%
Inflation rate	2.00%	2.00%	2.00%
Annual rate of increase in employee termination benefits	3.00%	3.00%	3.00%

tab. B5.2 - Demographic assumptions

	At 31 December 2013
Mortality	RG48
Disability	INPS table by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains are generated by the following factors:

tab. B5.3 - Actuarial gains and losses

	At 31 December 2013	At 31 December 2012
Change in demographic assumptions	-	(3,270)
Change in financial assumptions	(66,727)	275,317
Other experience-related adjustments	(11,931)	1,261
Total	**(78,658)**	**273,308**

tab. B5.4 - Sensitivity analysis

	Employee termination benefits at 31 December 2013
Inflation rate +0.25%	1,323,595
Inflation rate -0.25%	1,280,106
Discount rate +0.25%	1,269,842
Discount rate -0.25%	1,334,590
Turnover rate +0.25%	1,302,875
Turnover rate -0.25%	1,300,324

tab. B5.5 - Other information

	At 31 December 2013
Service cost for 2014	-
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 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	-	41,132,902	41,132,902	-	40,018,626	40,018,626
Borrowings	3,768,590	1,154,390	4,922,980	4,200,000	1,365,822	5,565,822
Financial institutions borrowings	3,768,590	1,154,390	4,922,980	4,200,000	1,365,822	5,565,822
Derivative financial instruments	477,530	(6,557)	470,973	826,251	(10,135)	816,116
Cash flow hedges	116,128	(12,828)	103,300	228,436	(16,437)	211,999
Fair value hedges	361,402	6,271	367,673	597,815	6,302	604,117
Other financial liabilities	-	2,175,583	2,175,583	-	2,321,285	2,321,285
Total	**4,246,120**	**44,456,318**	**48,702,438**	**5,026,251**	**43,695,598**	**48,721,849**

Payables deriving from postal current accounts

These payables include net amounts accrued at 31 December 2013 and settled with customers in January 2014. The balance includes amounts due to Poste Italiane Group companies, totalling €95,998 thousand, with €29,171 thousand deposited in postal current accounts by Poste Vita SpA.

Borrowings

Financial institutions borrowings

At 31 December 2013 financial institutions borrowings amount to €4,922,980 thousand and regard repurchase agreements with a nominal value of €5,229,003 thousand, entered into with major financial institutions. These liabilities consist of:

- €2,502,983 thousand (of which €2,983 thousand in accrued interest) related to the three-year loan obtained in February 2012 from Banca IMI SpA, to be repaid as a bullet in February 2015, with optional prepayments each month from the second year. Interest is payable on the basis of the REFI rate[55] plus a spread negotiated with the lender;
- €1,729,856 thousand (of which €29,856 thousand in accrued interest) related to the loan obtained in February 2012 from Cassa Depositi e Prestiti, repayable in instalments of €814,050 thousand on 6 August 2014 and €915,806 thousand on 26 February 2015. Interest is payable on the basis of the REFI rate plus a spread negotiated with the lender. The first instalment of €812,322 for this loan was paid in September 2013 (including accrued interest of €12,322 thousand);
- €690,141 thousand (of which €1,212 thousand in accrued interest) related to ordinary funding by BancoPosta RFC via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investment and short- to medium-term movements in current account deposits by BancoPosta's private customers.

At 31 December 2013 the fair value[56] of the above borrowings amounts to €4,943,512 thousand.

Derivative financial instruments

Movements in derivative financial instruments during 2013 are described in section A5. Net fair value losses on the current portion of these instruments, which includes income from differentials accruing at 31 December 2013, total €470,973 thousand.

55. The "REFI rate" or "refinancing operations rate" is the variable interest rate that banks are required to pay when they borrow from the ECB. In February 2012, in connection with the Long Term Refinancing Operation (LTRO) conducted by the ECB, Poste Italiane SpA obtained two loans with maturities of up to 3 years in the form of repurchase agreements of an original amount of €2.5 billion each. The proceeds of the loans were invested entirely in Italian government bonds with the same nominal amount, with the objective to refinance early investments maturing in the following three years.
56. 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 2013 Non-current liabilities	Balance at 31 December 2013 Current liabilities	Balance at 31 December 2013 Total	Balance at 31 December 2012 Non-current liabilities	Balance at 31 December 2012 Current liabilities	Balance at 31 December 2012 Total
Prepaid cards	-	789,187	789,187	-	743,214	743,214
Domestic and international money transfers	-	497,779	497,779	-	731,738	731,738
Cashed cheques	-	351,159	351,159	-	335,869	335,869
Tax collection and road tax	-	176,413	176,413	-	122,727	122,727
Endorsed cheques	-	152,211	152,211	-	172,968	172,968
Amounts to be credited to customers	-	93,095	93,095	-	118,119	118,119
Other amounts payable to third parties	-	63,017	63,017	-	56,480	56,480
Guarantee deposits	-	11,086	11,086	-	-	-
Payables for items in process	-	41,636	41,636	-	40,170	40,170
Total	**-**	**2,175,583**	**2,175,583**	**-**	**2,321,285**	**2,321,285**

Specifically:

- **Amounts due on prepaid cards**, totalling €780,430 thousand, relate to the electronic topup of Postepay cards.
- **Amounts due on domestic and international money transfers** represent the exposure to third parties for:
  - domestic postal orders, totalling €331,578 thousand;
  - domestic and international transfers, totalling €166,201 thousand.
- **Cashed cheques** represent the exposure to customers for cheques paid into post office savings books but not yet credited.
- **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 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

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Borrowings	1,198,694	1,016,987	2,215,681	516,975	1,151,446	1,668,421
Bonds	795,312	13,405	808,717	-	-	-
Amounts due to Cassa Depositi e Prestiti for loans	3,382	113,594	116,976	116,975	109,442	226,417
Financial institutions borrowings	400,000	889,988	1,289,988	400,000	1,042,004	1,442,004
Derivative financial instruments	22,645	2,868	25,513	37,491	2,583	40,074
Fair value hedges	22,362	2,814	25,176	37,491	2,583	40,074
Fair value through profit or loss	283	54	337	-	-	-
Financial liabilities due to subsidiaries	-	306,045	306,045	-	396,338	396,338
Other financial liabilities	306	719	1,025	509	16,269	16,778
Total	**1,221,645**	**1,326,619**	**2,548,264**	**554,975**	**1,566,636**	**2,121,611**

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 rating. Financial institutions borrowings are subject to standard negative pledge clauses[57].

Bonds

As part of the Company's EMTN - Euro Medium Term Note programme, totalling €2 billion, the following bonds listed on the Luxemourg Stock Exchange were issued in 2013:

- bonds with a nominal value of €750 million, placed through an institutional offering at a price below par of €99.66 on 18 June. 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[58] of this borrowing at 31 December 2013 is €774,862 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, while 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 interest rate risk exposure was hedged as described in section A6; the fair value[59] of this liability at 31 December 2013 is €49,165 thousand.

57. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with the pre-existing creditors, unless the same degree of protection is offered to them also.
58. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.
59. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Amounts due to Cassa Depositi e Prestiti for loans

This item refers to fixed rate loans issued to the Company by Cassa Depositi e Prestiti. The laws authorising the financing also establish the methods of repayment, as shown below:

tab. B7.1 - Amounts due to CDP for loans

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Law 227/1975 (service accommodation)	3,025	2,894	5,919	5,919	2,693	8,612
Law 39/1982 (subsequent changes to postal service)	-	60,405	60,405	60,405	58,249	118,654
Law 887/1984	-	49,951	49,951	49,951	48,168	98,119
Law 41/1986	357	344	701	700	332	1,032
Total	**3,382**	**113,594**	**116,976**	**116,975**	**109,442**	**226,417**

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. Collection of this receivable is based on the repayment schedules for the loans (tab. A6.2). At 31 December 2013, these borrowings had a fair value[60] of €121,727 thousand.

Financial institutions borrowings

tab. B7.2 - Financial institutions borrowings

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	-	677,102	677,102	-	488,864	488,864
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
Variable rate loan from DEPFA Bank maturing 30 September 2013	-	-	-	-	250,000	250,000
Short-term borrowings	-	210,000	210,000	-	300,000	300,000
Accrued interest expense	-	2,886	2,886	-	3,140	3,140
Total	**400,000**	**889,988**	**1,289,988**	**400,000**	**1,042,004**	**1,442,004**

At 31 December 2013 outstanding repurchase agreements totalling €677,102 thousand regard securities with a total nominal value of €650,000 thousand, executed during the period under review with the aim of maximising returns and meeting short-term liquidity requirements. At 31 December 2013 the fair value[61] of repurchase agreements amounts to €677,186 thousand.

The fair value[62] of the two EIB loans of €400,000 thousand is €413,643 thousand.

The carrying amount of the other financial liabilities in table B7.2 approximates to their fair value.

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. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.
62. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Credit facilities

At 31 December 2013 the following credit facilities were available:

- committed lines of €550 million;
- uncommitted lines of credit of €650 million, including: €350 million in short-term loans, €200 million in advances against trade receivables and €100 million in short-term loans, overdrafts or unsecured guarantees;
- overdraft facilities of €81 million;
- unsecured guarantee facilities with a value of €178 million.

At 31 December 2013 €210 million in uncommitted lines of credit has been drawn down in the form of short-term borrowings. Unsecured guarantees with a value of €136 million have been used on behalf of Poste Italiane SpA and with a value €29 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 2013 BancoPosta RFc had not made use of the above facilities.
The existing lines of credit and medium/long-term borrowings are adequate to meet expected financing requirements.

Derivative financial instruments

At 31 December 2013 these instruments have a fair value of €25,513 thousand (€40,074 thousand at 31 December 2012). Movements in derivative financial instruments during 2013 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:

tab. B7.3 - Financial liabilities due to subsidiaries

	Balance at 31 December 2013			Balance at 31 December 2012		
Name	Loans	Intercompany accounts	Total	Loans	Intercompany accounts	Total
Direct subsidiaries						
BancoPosta Fondi SpA SGR	-	15,998	15,998	-	4,304	4,304
CLP ScpA	-	11	11	-	11	11
EGI SpA	-	216,046	216,046	-	215,371	215,371
Poste Link Scrl	-	-	-	-		
Poste Tributi ScpA	-	-	-	-	552	552
PosteTutela SpA	-	7,437	7,437	-	9,836	9,836
Poste Vita SpA	-	142	142	-	101,471	101,471
Postecom SpA	-	958	958	-	500	500
PosteMobile SpA	30,162	35,291	65,453	-	64,293	64,293
PosteShop SpA	-	-	-	-	-	-
Total	**30,162**	**275,883**	**306,045**	**-**	**396,338**	**396,338**

B8 - TRADE PAYABLES

tab. B8 - Trade payables

Item	Balance at 31 December 2013	Balance at 31 December 2012
Amounts due to suppliers	799,892	864,584
Amounts due to subsidiaries	291,311	327,169
Prepayments and advances from customers	209,500	211,632
Other trade payables	13,294	13,746
Total	**1,313,997**	**1,417,131**
of which attributable to BancoPosta RFC	54,566	64,846

Amounts due to suppliers

tab. B8.1 - Amounts due to suppliers

Item	Balance at 31 December 2013	Balance at 31 December 2012
Italian suppliers	671,749	725,862
Overseas suppliers	13,626	11,162
Overseas counterparties[1]	114,517	127,560
Total	**799,892**	**864,584**
of which attributable to BancoPosta RFC	17,053	13,538

[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 2013	Balance at 31 December 2012
Direct subsidiaries		
CLP ScpA	67,127	75,741
Consorzio per i Servizi di Telefonia Mobile ScpA	38,774	13,810
EGI SpA	1,363	477
Mistral Air Srl	478	397
PatentiViaPoste ScpA	278	-
Poste Energia SpA	17,577	18,109
Poste Tributi ScpA	1,775	1,361
PosteTutela SpA	39,741	22,593
Poste Vita SpA	28	16
Postecom SpA	69,236	77,937
Postel SpA	1,561	2,853
PosteMobile SpA	4,310	41,199
PosteShop SpA	742	49
SDA Express Courier SpA	1,070	2,904
Indirect subsidiaries		
Poste Assicura SpA	-	1
PostelPrint SpA	46,925	69,421
Italia Logistica Srl	188	178
Kipoint SpA	138	123
Total	**291,311**	**327,169**
of which attributable to BancoPosta RFC	24,142	37,344

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 2013	Balance at 31 December 2012
Overseas counterparties	85,585	87,023
Automated franking	81,078	81,608
Unfranked mail	16,549	17,281
Postage-paid mailing services	7,888	9,478
Other services	18,400	16,242
Total	**209,500**	**211,632**
of which attributable to BancoPosta RFC	77	218

B9 - OTHER LIABILITIES

tab. B9 - Other liabilities

Item	Balance at 31 December 2013 Non-current liabilities	Balance at 31 December 2013 Current liabilities	Balance at 31 December 2013 Total	Balance at 31 December 2012 Non-current liabilities	Balance at 31 December 2012 Current liabilities	Balance at 31 December 2012 Total
Amounts due to staff	-	733,100	733,100	-	608,922	608,922
Social security payables	46,156	462,064	508,220	48,882	380,162	429,044
Other tax liabilities	355,022	194,938	549,960	172,745	229,181	401,926
Amounts due to the MEF	-	12,140	12,140	-	12,140	12,140
Other amounts due to subsidiaries	-	188,128	188,128	-	10,880	10,880
Sundry payables	67,277	21,001	88,278	63,299	45,036	108,335
Accrued expenses and deferred income from trading transactions	15,401	19,668	35,069	18,179	18,568	36,747
Total	**483,856**	**1,631,039**	**2,114,895**	**303,105**	**1,304,889**	**1,607,994**
of which attributable to BancoPosta RFC	414,406	122,209	536,615	227,810	145,750	373,560

Amounts due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2013. The following table shows a breakdown:

tab. B9.1 - Amounts due to staff

Item	Balance at 31 December 2013	Balance at 31 December 2012
Fourteenth month salaries	236,615	238,024
Incentives	331,794	171,702
Accrued vacation pay	60,555	67,497
Other amounts due to staff	104,136	131,699
Total	**733,100**	**608,922**
of which attributable to BancoPosta RFC	10,710	7,207

At 31 December 2013, certain incentives that at 31 December 2012 were accounted for in the provisions for restructuring charges, have become determinable with reasonable certainty and, as such, have been recognised in payables.

Social security payables

tab. B9.2 - Social security payables

Item	Balance at 31 December 2013 Non-current liabilities	Balance at 31 December 2013 Current liabilities	Balance at 31 December 2013 Total	Balance at 31 December 2012 Non-current liabilities	Balance at 31 December 2012 Current liabilities	Balance at 31 December 2012 Total
INPS	-	376,570	376,570	-	295,951	295,951
Pension funds	-	76,631	76,631	-	71,843	71,843
INAIL	46,156	2,726	48,882	48,882	2,659	51,541
Other agencies	-	6,137	6,137	-	9,709	9,709
Total	**46,156**	**462,064**	**508,220**	**48,882**	**380,162**	**429,044**
of which attributable to BancoPosta RFC	-	6,556	6,556	-	5,029	5,029

In detail:

- **Amounts due to the *Istituto Nazionale per la Previdenza Sociale*** (*INPS*, the National Institute of Social Security) primarily relate to amounts accrued for, and not yet paid at 31 December 2013. €24,700 thousand of this sum relates to employee termination benefits.
- **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

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Withholding tax on employees' and consultants' salaries	-	108,048	108,048	-	121,502	121,502
Withholding tax on postal current accounts	-	35,108	35,108	-	44,154	44,154
Stamp duty payable	355,022	32,493	387,515	172,745	40,612	213,357
Substitute tax	-	-	-	-	492	492
Other taxes due	-	19,289	19,289	-	22,421	22,421
Total	**355,022**	**194,938**	**549,960**	**172,745**	**229,181**	**401,926**
of which attributable to BancoPosta RFC	355,022	79,984	435,006	172,745	97,469	270,214

In particular:

- **Withholding tax on employees' and consultants' salaries** relates to amounts paid to the tax authorities by the Company in January and February 2014 as the withholding agent.
- **Withholding tax on postal current accounts** refers to amounts withheld by BancoPosta RFC on interest accrued during the year on customer current accounts.
- **Stamp duty** is payable to the tax authorities as duty collected virtually after the adjustment made in 2014 pursuant to note 3-*bis* of art. 13 of the Tariffs provided for by Presidential Decree 642/1972. The non-current portion of the stamp duty relates to the amount accrued at 31 December 2013 on interest-bearing postal savings 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 2013	Balance at 31 December 2012
Direct subsidiaries		
EGI SpA	40	36
Mistral Air Srl	1,235	638
Poste Vita SpA	157,259	1,137
Postel SpA	1,628	175
Poste Holding Participações do Brasil Ltda	7	-
SDA Express Courier SpA	26,802	8,472
Indirect subsidiaries		
Poste Assicura SpA	76	70
PostelPrint SpA	1,081	352
Total	**188,128**	**10,880**
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, and the benefit linked to the tax losses transferred from Mistral Air Srl and SDA Express Courier SpA during 2013.

Sundry payables

This item breaks down as follows:

tab. B9.5 - Sundry payables

	Balance at 31 December 2013			Balance at 31 December 2012		
Item	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	59,384	9,624	69,008	55,065	21,517	76,582
Guarantee deposits	7,893	160	8,053	8,234	152	8,386
Other	-	11,217	11,217	-	23,367	23,367
Total	**67,277**	**21,001**	**88,278**	**63,299**	**45,036**	**108,335**
of which attributable to BancoPosta RFC	59,384	9,784	69,168	55,065	21,669	76,734

In detail:
- **sundry payables attributable to BancoPosta**'s operations primarily relate to transactions effected in previous years in the process of settlement;
- **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 2013			Balance at 31 December 2012		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	2,700	2,700	-	2,674	2,674
Deferred income	15,401	16,968	32,369	18,179	15,894	34,073
Total	**15,401**	**19,668**	**35,069**	**18,179**	**18,568**	**36,747**
of which attributable to BancoPosta RFC	-	15,175	15,175	-	14,376	14,376

Deferred income outside the ring-fence primarily regards:

- €10,360 thousand in grants approved by the competent public authorities in favour of the Company, whose matching costs have not been incurred yet;
- €5,356 thousand (of which €5,041 thousand relates to income to be recognised after 2013) 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:

- €7,640 thousand in fees on Postamat cards collected in advance;
- €7,535 thousand relating to income to be recognised in future years as a result of the Gran 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 €8,978,220 thousand, breaks down as follows:

tab. C1 - Revenue from sales and services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Postal services	3,547,431	3,781,407
BancoPosta services	5,326,083	5,319,157
Other sales of goods and services	104,706	105,742
Total	**8,978,220**	**9,206,306**

Postal services

Revenue from Postal services breaks down as follows:

tab. C1.1 - Postal services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Unfranked mail	1,246,651	1,387,515
Automated franking by third parties and at post offices	1,012,562	1,055,868
Stamps	301,801	336,995
Integrated services	243,129	246,537
Postage-paid mailing services	148,407	167,642
Overseas mail and parcels	103,857	112,295
Telegrams	33,403	38,616
Census services	22	6,071
Other postal services	58,647	70,207
Total market revenues	**3,148,479**	**3,421,746**
Universal Service compensation	342,820	349,888
Electoral subsidies[1]	56,132	9,773
Total	**3,547,431**	**3,781,407**

[1] Subsidies for tariffs discounted in accordance with the law.

In detail:
- **Unfranked mail** relates to revenue from the mailing of correspondence by clients 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 (€212,884 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 €23,495 thousand and €8,534 thousand, respectively.
- **Universal Service compensation** relates to amounts paid by the MEF to cover the costs of fulfilling the USO, which the Company continued to render in the year under review, and in the prior year, pending renewal of the *Contratto di Programma* (Planning Agreement) for the three-year period 2009-2011 by Poste Italiane SpA, the MEF and the Ministry for Economic Development. Revenue of €342,820 was recognised on the basis of the best estimate of the likely compensation that can be reasonably expected under current negotiations, as described in note 2.3 - *Use of estimates*.
- **Electoral subsidies** relate to amounts paid by the state to cover reductions and preferential prices granted to election candidates under Law 515/1993.

BancoPosta services

This revenue breaks down as follows:

tab. C1.2 - BancoPosta services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from investment of postal current account deposits	1,753,462	1,773,297
Fees for collection of postal savings deposits	1,620,000	1,649,115
Commissions on payment of bills by payment slip	566,997	572,591
Other revenue from current account services	508,192	480,153
Insurance brokerage	328,438	233,151
Distribution of loan products	127,132	156,246
Income from delegated services	129,788	152,907
Fees for issue and use of prepaid cards	102,801	97,557
Money transfers	63,136	63,785
Commissions from securities trading	21,718	44,883
Securities custody	16,414	19,649
Distribution of investment funds	16,874	12,593
Other products and services	71,131	63,230
Total	**5,326,083**	**5,319,157**

In particular:
- **Income from 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 2013	For the year ended 31 December 2012
Income from investments in securities	1,587,576	1,520,373
Interest income on held-to-maturity financial assets	659,040	598,816
Interest income on available-for-sale financial assets	893,640	869,581
Interest income on securities held for trading	226	544
Interest income on asset swaps of available-for-sale financial assets	34,670	51,432
Income from deposits held with the MEF	167,958	256,659
Remuneration of current account deposits (deposited with the MEF)	157,239	256,659
Differential on derivatives stabilising returns	10,719	-
Net remuneration of own liquidity recognised in finance income and costs	(2,072)	(3,735)
Total	**1,753,462**	**1,773,297**

Income from investments in securities derives from the 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. Remuneration of the postal current account deposits of Public Sector entities includes €10,719 thousand in net differentials exchanged as a result of the forward purchases described in section A5, which were executed in order to stabilise returns on deposits placed with the MEF.
Net remuneration of own liquidity recognised in finance income and costs is shown separately in finance income and costs, unlike income from the investment of third-party deposits by BancoPosta.

- **Fees for collection of postal savings deposits** relate to remuneration for the provision of postal savings certificates and redemption of and payments into and withdrawals from post office savings books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 3 August 2011, covering the three-year period 2011-2013, as amended on 20 December 2013.
- **Other revenue from current account services** primarily relates to charges on current accounts, amounting to €222,529 thousand, fees on amounts collected and on statements of account sent to customers, amounting to €107,757 thousand, annual fees on debit cards, amounting to €38,636 thousand, and related transactions, amounting to €63,769 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.
- **Revenue from the distribution of loan products** relate to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.
- **Income from delegated services** primarily regards amounts received by the Company for the payment of pensions and vouchers issued by INPS (€63,155 thousand), and for the provision of treasury services on the basis of the agreement with the MEF (€56,646 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 €33,072 thousand, income from call centre services, amounting to €4,571 thousand, and income from the provision of ancillary franking and packaging services, totalling €1,268 thousand.

C2 - OTHER INCOME FROM FINANCIAL ACTIVITIES

tab. C2 - Other income from financial activities

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from financial instruments at fair value through profit or loss	9,469	102,038
Realised gains	9,469	102,038
Income from held-to-maturity securities	1,186	-
Realised gains	1,186	-
Income from available-for-sale financial assets	291,808	50,398
Realised gains	291,808	50,398
Income from cash flow hedges	848	7
Fair value gains	848	7
Income from fair value hedges	1,848	23
Fair value gains	1,848	23
Foreign exchange gains	1,963	2,080
Unrealised gains	73	97
Realised gains	1,890	1,983
Other income	383	1,140
Total	**307,505**	**155,686**

C3 - OTHER OPERATING INCOME

This item regards the following:

tab. C3 - Other operating income

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Increases to estimates for previous years	69,078	83,878
Recovery of contract expenses and other recoveries	14,982	9,070
Lease rentals	13,468	12,385
Government grants	8,023	3,279
Recovery of cost of seconded staff	2,286	3,429
Gains on disposals	1,659	3,774
Other income	37,563	7,465
Total	**147,059**	**123,280**

Lease rentals

tab. C3.1 - Lease rentals

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Rental income from investment property	2,076	2,311
Residential properties	2,076	2,311
Rental income on commercial property	7,859	7,258
Intercompany rentals	3,858	2,916
Antenna sites	1,151	1,336
Other rental income	2,850	3,006
Recovery of expenses, transaction costs and other income[1]	3,533	2,816
Total	**13,468**	**12,385**

[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. C3.2 - Gains on disposals

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Gains on disposal of property and land used in operations	206	1,351
Gains on disposal of investment property	1,348	1,946
Gains on disposal of other operating assets	105	477
Total	**1,659**	**3,774**

For the purposes of reconciliation with the statement of cash flows, in 2013 this item is a negative €514 thousand, due to losses of €2,173 thousand. In 2012, this item amounted to €1,849 thousand, after losses of €1,925 thousand.

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 2013	For the year ended 31 December 2012
Services	1,377,095	1,411,460
Lease expense	306,876	309,504
Raw, ancillary and consumable materials and goods for resale	116,013	122,736
Interest expense	224,389	277,393
Total	**2,024,373**	**2,121,093**

Services

tab. C4.1 - Services

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Transport of mail, parcels and forms	233,331	262,364
Routine maintenance and technical assistance	180,852	180,577
Personnel services	160,707	160,880
Outsourcing fees and other external service charges	136,978	133,636
Energy and water	131,784	136,710
Transport of cash	87,689	84,546
Telecommunications and data transmission	78,987	90,654
Printing and enveloping services	73,861	67,337
Mail, telegraph and telex	68,763	68,088
Cleaning, waste disposal and security	65,502	65,402
Credit and debit card fees and charges	57,735	53,651
Advertising and promotions	28,764	28,486
Automated services from the Department of Land Transportation	28,667	29,991
Consultants' fees and legal expenses	19,800	22,321
Insurance premiums	12,854	14,701
Agent commissions and other	8,906	10,326
Securities custody and management fees	1,718	1,579
Remuneration and expenses of Statutory Auditors	197	211
Total	**1,377,095**	**1,411,460**

Details of the remuneration and expenses paid to the Statutory Auditors are provided below:

tab. C4.1.1 - Remuneration and expenses of Statutory Auditors

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Remuneration	149	150
Expenses	48	61
Total	**197**	**211**

Lease expense

Lease expense breaks down as follows:

tab. C4.2 - Lease expense

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Property rentals	173,246	171,223
Lease rentals	164,380	162,672
Ancillary costs	8,866	8,551
Vehicle leases	77,218	82,796
Equipment hire and software licenses	52,205	49,352
Other lease expense	4,207	6,133
Total	**306,876**	**309,504**

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 2013	For the year ended 31 December 2012
Fuels and lubricants	55,029	58,541
Stationery and printed matter	26,635	29,218
Printing of postage and revenue stamps	12,285	13,565
Consumables and goods for resale	22,064	21,412
Total	**116,013**	**122,736**

Interest expense

This item refers to interest paid on customer deposits, amounting to €182,324 thousand (€224,916 thousand in 2012) and interest paid on repurchase agreements, totalling €42,065 thousand (€52,477 thousand in 2012). No interest is paid on ordinary postal current accounts. Interest paid on "BancoPostaClick" and "BancoPostaPiù" accounts varies up to 2%. Special terms and conditions are applied to certain accounts to reward customer loyalty.

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 2013	For the year ended 31 December 2012
Expenses from financial instruments at fair value through profit or loss	218	136
Realised losses	218	136
Expenses from held-to-maturity financial instruments	182	-
Realised losses	182	-
Expenses from available-for-sale financial instruments	6,193	-
Realised losses	6,193	-
Expenses from cash flow hedges	1	376
Fair value losses	1	376
Expenses from fair value hedges	16	614
Fair value losses	16	614
Foreign exchange losses	677	334
Unrealised losses	316	151
Realised losses	361	183
Other expenses	6	12
Total	**7,293**	**1,472**

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 2013	For the year ended 31 December 2012
Wages and salaries		4,249,891	4,089,866
Social security contributions		1,196,379	1,131,387
Provisions for employee termination benefits: supplementary pension funds and INPS		261,568	259,431
Agency staff		4,398	3,468
Remuneration and expenses paid to Directors		2,443	2,440
Redundancy payments		52,816	207,629
Net provisions/(reversals) for disputes with staff		(46,949)	(31,038)
Provisions for restructuring charges	[tab. B4]	114,000	190,000
Other staff costs/(cost recoveries)		(59,198)	(112,745)
Total expenses		**5,775,348**	**5,740,438**
Income from fixed-term contract settlements and settlements with agency staff		(20,283)	(82,042)
Total		**5,755,065**	**5,658,396**

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 2013	For the year ended 31 December 2012
Remuneration	2,403	2,398
Expenses	40	42
Total	**2,443**	**2,440**

Expenses relating to employee termination benefits are described in section B5.
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.
Income from fixed-term contract settlements and settlements with agency staff have resulted from the terms of the agreements reached on 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 by the Company on fixed-term contracts, or the mandatory hiring of personnel originally employed as agency staff. The arrangements enabled the Company to enter into individual agreements with approximately 1,335 staff employed by virtue of a provisional court order. Under the individual agreements, each signatory elected not to enforce the legal and financial aspects of the court order requiring their re-employment and approximately 1,105 employees agreed to return, without interest, in variable instalments the remuneration paid for periods not worked and which the Company had already charged to profit or loss in previous years. These amounts total approximately €24 million; the present value of this amount, €20,283 thousand, has been recognised in profit or loss for the year.

The following table shows the Company's average and year-end headcounts by category:

tab. C6.2 - Workforce data

	Average workforce		Year-end workforce	
Category	2013	2012	At 31 Dec 2013	At 31 Dec 2012
Executives	595	577	596	586
Middle managers (A1)	6,068	5,853	6,325	5,867
Middle managers (A2)	8,102	7,938	8,091	8,055
Grades B, C, D	121,406	121,773	120,297	120,934
Grades E, F	3,262	4,294	2,674	3,435
Total permanent workforce(*)	**139,433**	**140,435**	**137,983**	**138,877**

(*) Figures expressed in full-time equivalent terms.

Taking account of staff on flexible contracts, the average number of full-time equivalent staff in 2013 is 140,977 (142,229 in 2012).

C7 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

This item breaks down as follows:

tab. C7 - Depreciation, amortisation and impairments

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Property, plant and machinery	334,361	323,900
Properties used in operations	101,418	98,209
Plant and machinery	105,634	108,612
Industrial and commercial equipment	11,503	12,489
Leasehold improvements	31,958	29,549
Other assets	83,848	75,041
Impairments/recoveries/adjustments of property, plant and equipment	19,324	33,869
Depreciation of investment property	4,837	4,861
Impairments/recoveries/adjustments of investment property	(604)	129
Amortisation and impairments of intangible assets	143,217	162,788
Industrial patents and intellectual property rights	143,214	162,785
Concessions, licenses, trademarks and similar rights	3	3
Total	**501,135**	**525,547**

C8 - OTHER OPERATING COSTS

Other operating costs break down as follows:

tab. C8 - Other operating costs

Item	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Net provisions and losses on doubtful debts (uses of provisions)		6,407	21,285
Provisions for receivables due from customers	[tab. A7.2]	22,198	28,194
Provisions/(Reversal of provisions) for receivables due from MEF	[tab. A7.5]	(11,894)	(9,045)
Provisions/(Reversal of provisions) for sundry receivables	[tab. A8.3]	(3,900)	2,133
Losses on receivables		3	3
Operational risk events		30,583	23,922
Thefts during the year	[tab. A5.1.1 b]	6,265	6,909
Reversal of BancoPosta assets, net of recoveries		3,111	2,193
Other operating losses of BancoPosta		21,207	14,820
Net provisions for risks and charges made/(released)		46,323	26,600
for disputes with third parties	[tab. B4]	(8,179)	47,270
for non-recurring charges incurred by BancoPosta	[tab. B4]	60,249	(606)
for other risks and charges	[tab. B4]	(5,747)	(20,064)
Losses		2,173	1,925
Other taxes and duties		61,544	59,550
Municipal property tax		27,173	26,461
Urban waste tax		21,564	19,984
Other		12,807	13,105
Revised estimates and assessments for previous years		24,167	16,980
Impairments of investments	[tab. A4.1]	27,728	58,074
Other recurring expenses		33,562	27,389
Total		**232,487**	**235,725**

C9 - FINANCE INCOME/COSTS

Finance income

tab C9.1 - Finance income

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from subsidiaries[1]	24,625	26,988
Interest on loans	20,920	23,774
Interest on intercompany current accounts	3,705	3,214
Income from available-for-sale financial assets	12,888	14,438
Interest on fiduciary deposit[1]	-	629
Interest on fixed income instruments[1]	21,008	19,114
Accrued differentials on fair value hedges[1]	(8,218)	(5,376)
Dividends from other investments	98	71
Other finance income[1]	98,549	46,368
Interest from the MEF[2]	9,243	7,525
Remuneration of Poste Italiane SpA's liquidity	2,072	3,735
Finance income on discounted receivables[3]	27,582	34,278
Overdue interest	7,110	7,670
Impairment of amounts due as overdue interest	(7,058)	(7,603)
Interest on IRES refund[4]	57,902	-
Other	1,698	763
Foreign exchange gains	3,063	2,901
Total	**139,125**	**90,695**

[1] For the purposes of reconciliation with the statement of cash flows, for 2013 these items amount to €135,964 thousand (€87,723 thousand in 2012).
[2] Interest income from the MEF regards interest accrued on the loan under Law 887/1984 to cover the interest expense arising from the loans provided by Cassa Depositi e Prestiti.
[3] Finance income on discounted receivables includes: €9,424 thousand in accrued interest on the amount due from the MEF, €7,547 thousand in interest on amounts due for the publisher tariff subsidies and €10,611 thousand in interest on amounts due from staff and the former IPOST and INPS under the fixed-term contract settlements of 2006, 2008, 2010 and 2012.
[4] See section C10.

Finance costs

tab. C9.2 - Finance costs

Item	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Finance costs on financial liabilities		40,233	52,081
on bonds		13,937	19,534
on loans from Cassa Depositi e Prestiti		8,705	14,329
on financial institutions borrowings		13,014	15,981
on derivative financial instruments		337	-
paid to MEF		70	109
on amounts payable to subsidiaries		4,170	2,128
Finance costs on provisions for employee termination benefits	[tab. B5]	41,677	56,455
Finance costs on provisions for risks	[tab. B4]	2,737	2,008
Other finance costs		5,285	2,592
Foreign exchange losses[1]		2,711	1,891
Total		**92,643**	**115,027**

[1] For the purposes of reconciliation with the statement of cash flows, for 2013 finance costs, before foreign exchange losses, amount to €89,932 thousand (€113,136 thousand in 2012).

C10 - INCOME TAX EXPENSE

tab. C10 - Income tax expense

	For the year ended 31 December 2013			For the year ended 31 December 2012		
Item	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	170,831	233,061	403,892	220,274	230,653	450,927
Deferred tax income	76,065	537	76,602	32,530	1,709	34,239
Deferred tax expense	(6,997)	(6)	(7,003)	(10,785)	9	(10,776)
Total	**239,899**	**233,592**	**473,491**	**242,019**	**232,371**	**474,390**
Income tax for previous years following change in legislation	**(217,758)**	**-**	**(217,758)**	**(270,299)**	**-**	**(270,299)**

The tax rate for 2013 is 49.13%, as resulting from the total of the IRES tax rate (24.89%) and the IRAP tax rate (24.24%). This is reduced to 26.54% after the extraordinary effects of the recognition of the refund of taxes paid in previous years, totalling €217,758 thousand (down 22.59%).

tab. C10.1 - Reconciliation between theoretical tax charge at statutory rate and effective tax charge for IRES

	For the year ended 31 Dec 2013		For the year ended 31 Dec 2012	
Item	IRES	% rate	IRES	% rate
Profit before tax	*963,821*		*926,336*	
Theoretical tax charge	265,051	27.5%	254,742	27.5%
Effects of increases/(decreases) on theoretical tax charge				
Impairments of investments	7,625	0.79%	15,970	1.72%
Exempt gains on financial assets	-	-	-	-
Non-deductible contingent liabilities	6,465	0.67%	5,902	0.64%
Non-deductible taxes	7,472	0.78%	7,277	0.79%
Net provisions for risks and charges and impairments of receivables	6,013	0.62%	13,407	1.45%
Taxation for previous years	(5,241)	-0.54%	(4,105)	-0.44%
Deduction from IRES of IRAP on personnel expenses	(50,840)	-5.27%	(54,807)	-5.92%
Other	3,354	0.35%	3,633	0.39%
Effective tax charge	**239,899**	**24.89%**	**242,019**	**26.13%**
Refund of IRES for previous years following change in legislation	**(217,758)**	**-22.59%**	**(270,299)**	**-29.18%**

tab. C10.2 - Reconciliation between theoretical tax charge at statutory rate and effective tax charge for IRAP

	For the year ended 31 Dec 2013		For the year ended 31 Dec 2012	
Item	IRAP	% rate	IRAP	% rate
Profit before tax	*963,821*		*926,336*	
Theoretical tax charge	43,565	4.52%	42,334	4.57%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible personnel expenses	188,128	19.52%	190,143	20.53%
Net provisions for risks and charges and impairment of receivables	(2,251)	-0.23%	703	0.08%
Non-deductible contingent liabilities	1,091	0.11%	1,037	0.11%
Finance costs and income	(2,421)	-0.25%	765	0.08%
Non-deductible taxes	1,228	0.13%	1,209	0.13%
Taxation for previous years	2,137	0.22%	(9,416)	-1.02%
Other	2,115	0.22%	5,596	0.60%
Effective tax charge	**233,592**	**24.24%**	**232,371**	**25.08%**

With reference to the **refund of IRES for previous years following change in legislation**, Law Decree 201 of 6 December 2011 permits companies to deduct IRAP paid on personnel expenses in full from the IRES tax base from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedure established by the tax authorities in the ruling issued on 17 December 2012. In compliance with this procedure, which requires applications to be submitted electronically on pre-established dates (so-called "click days"), in March 2013 Poste Italiane SpA and the other Group companies concerned applied for a refund of the overpaid tax for periods of assessment that remain open. In the 2012 financial statements the Company recognised tax income of €270,299 thousand. On this occasion, the amount was assessed on a prudent basis, solely based on refunds due for the years from 2007 to 2011, and taking into account the absence of consistent interpretations of the new legislation. In 2013 the earlier ruling of the Constitutional Court and the circular issued by the tax authorities (no. 8/E of 3 April) were used as the basis for a number of tax tribunal rulings on the merits, which, in acknowledging the principle of retroactivity of the legislation established by the Supreme Court, extended the right to a refund of the overpaid tax to include the years prior to 2007 and recognised the right to the receipt of interest accrued on the related amount. Poste Italiane SpA thus took steps to challenge the tax authorities' refusal to respond to its earlier claims for a refund, with the resulting recognition of tax income of €217,758 thousand in 2013. This amount reflects accrued amounts for the tax years from 2004 to 2006 (for which claims for a refund were previously filed with the tax authorities in paper form, thus interrupting application of the statute of limitations), and interest accrued on the entire tax credit through to 31 December 2013. This interest, totalling €57,902 thousand, was recognised as finance income in the statement of profit or loss (tab. C9.1) and the related receivable (which, together with the amount receivable by the companies that participate in the tax consolidation arrangement, amounts to €58,856 thousand), accounted for in "Other assets" (tab. A8).

Current tax assets and liabilities

tab. C10.3 - Movements in current tax assets/(liabilities)

	Current taxes for the year ended 31 Dec 2013			Current taxes for the year ended 31 Dec 2012		
Item	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total
Balance at 1 January	**432,831**	**63,922**	**496,753**	**(25,583)**	**(8,267)**	**(33,850)**
Payments of	319,322	180,625	499,947	553,634	302,842	856,476
prepayments for the current year	319,322	180,625	499,947	491,818	290,710	782,528
balance payable for the previous year	-	-	-	61,816	12,132	73,948
Provisions to profit or loss for	(170,831)	(233,061)	(403,892)	(220,274)	(230,653)	(450,927)
current tax expense	(184,727)	(233,243)	(417,970)	(234,170)	(230,835)	(465,005)
realignment(*)	13,896	182	14,078	13,896	182	14,078
Refund of IRES for previous years following change in legislation	217,758	-	217,758	270,299	-	270,299
Provisions to equity	(56,056)(**)	-	(56,056)	75,160	-	75,160
Tax consolidation	(146,247)	-	(146,247)	(238,298)	-	(238,298)
Other	7,476(***)	(443)	7,033	17,893	-	17,893
Balance at 31 December	**604,253**	**11,043**	**615,296**	**432,831**	**63,922**	**496,753**
of which:						
Current tax assets	604,253	13,661	617,914	432,831	63,922	496,753
Current tax liabilities	-	(2,618)	(2,618)	-	-	-
of which attributable to BancoPosta RFC						
Current tax assets	12,454	-	12,454	18,200	-	18,200
Current tax liabilities	(53,771)	(7,097)	(60,868)	-	(10,538)	(10,538)

(*) The realignment is due to the impact of the differences between the carrying amounts of assets and liabilities and their tax bases arising after adoption of IAS/IFRS in 2009, which became deductible in five equal annual instalments from 2009, and in the subsequent four years following payment of the relevant substitute tax. The positive effect on current tax liabilities is offset by the net negative impact of the release of deferred tax assets and liabilities.
(**) Of which €21,631 thousand on actuarial gains on employee termination benefits and €34,425 thousand due to shareholder transactions following the overturning of the European Commission's Decision of 16 July 2008.
(***) 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 at 31 December 2013, totalling €617,914 thousand, primarily include:

- €494,296 thousand (of which €6,239 thousand attributable to subsidiaries) in tax credits, recognised in 2012 and 2013, arising under Law Decree 201/2011, as described above;
- €85,546 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.

Deferred tax assets and liabilities

The following table shows deferred tax assets and liabilities:

tab. C10.4 - Deferred taxes

Item	Balance at 31 December 2013	Balance at 31 December 2012
Deferred tax assets	554,565	800,858
Deferred tax liabilities	(387,502)	(325,223)
Total	**167,063**	**475,635**
of which attributable to BancoPosta RFC		
Deferred tax assets	258,714	441,759
Deferred tax liabilities	(378,186)	(309,865)

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 4.52%.

Movements in deferred tax assets and liabilities are shown below:

tab. C10.5 - Movements in deferred tax assets and liabilities

Item	2013	2012
Balance at 1 January	**475,635**	**1,509,585**
Deferred tax income/(expenses) recognised in profit or loss	(69,599)	(23,463)
Deferred tax income/(expenses) recognised in equity	(238,973)	(1,010,487)
Balance at 31 December	**167,063**	**475,635**

The balance of deferred tax income and expenses recognised in equity consists of €273,398 thousand resulting from the tax effects of the change in reserves described in tab. B3, after the amount of €34,425 thousand accounted for in retained earnings, as described in section B2.

The following table shows a breakdown of movements in deferred tax assets and liabilities:

tab. C10.6 - Movements in deferred tax assets

Item	Investment properties	Financial assets and liabilities	Contra asset accounts	Provisions for risk and charges	Trade and other receivables	Personnel expenses	Other	Total
Balance at 1 January 2012	**13,495**	**1,123,911**	**79,693**	**330,373**	**11,101**	**4,593**	**15,302**	**1,578,468**
Income/(Expenses) recognised in profit or loss	255	-	356	(33,416)	(4)	-	12,770	(20,039)
Income/(Expenses) recognised in profit or loss on realignment	-	(5,952)	(28)	(383)	(5,541)	(2,296)	-	(14,200)
Income/(Expenses) recognised in equity	-	(743,371)	-	-	-	-	-	(743,371)
Balance at 31 December 2012	**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**

The decrease in deferred tax assets related to financial assets and liabilities (€164,520 thousand) is due mainly to movements in the fair value reserve, as described in section B3.

tab. C10.7 - Movements in deferred tax liabilities

Item	Financial assets and liabilities	PPE	Deferred gains	Discounted employee termination benefits	Other	Total
Balance at 1 January 2012	**44,148**	**1,989**	**22,746**	**-**	**-**	**68,883**
Expenses/(Income) recognised in profit or loss	-	(1,242)	(9,412)	-	-	(10,654)
Expenses/(Income) recognised in profit or loss on realignment	(122)	-	-	-	-	(122)
Expenses/(Income) recognised in equity	267,116	-	-	-	-	267,116
Balance at 31 December 2012	**311,142**	**747**	**13,334**	**-**	**-**	**325,223**
Expenses/(Income) recognised in profit or loss	-	735	(7,616)	-	-	(6,881)
Expenses/(Income) recognised in profit or 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**

At 31 December 2013 deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C10.8 - Deferred tax assets and liabilities recognised in equity

Item	Increase/(Decrease) in equity	
	For the year ended 31 December 2013	For the year ended 31 December 2012
Fair value reserve for available-for-sale financial assets	(222,851)	(981,159)
Cash flow hedge reserve for hedging derivatives	(50,547)	(29,328)
Retained earnings due to shareholder transactions	34,425	-
Total	**(238,973)**	**(1,010,487)**

Deferred tax assets arising from shareholder transactions relate to the overturning of the European Commission's Decision of 16 July 2008, as described in section B2.

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 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.

tab. 4.4.2 - Impact of related party transactions on the financial position at 31 December 2012

	Balance at 31 December 2012								
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	-	-	415	2	-	1,313	-	-	
-BancoPosta Fondi SpA SGR	-	-	3,597	-	-	3,965	4,304	-	-
CLP ScpA	-	-	9,506	3	-	195	11	75,741	-
Consorzio Servizi Telef. Mobile ScpA	-	-	1,729	-	-	141	-	13,810	-
EGI SpA	-	-	992	97	-	8,894	215,371	477	36
Mistral Air Srl	-	14,850	1,152	-	-	665	-	397	638
PatentiViaPoste ScpA	-	-	-	49	-	-	-	-	-
Poste Energia SpA	-	2,048	152	-	-	544	-	18,109	-
Poste Italiane Trasporti SpA	-	-							
Poste Tributi ScpA	-	-	4,293	-	-	425	552	1,361	-
PosteTutela SpA	-	-	226	21	-	14,377	9,836	22,593	-
Poste Vita SpA	-	544,294	72,954	193,084	-	29,576	101,471	16	1,137
Postecom SpA	-	-	905	169	-	7,172	500	77,937	-
Postel SpA	-	95,400	133,875	17	-	1,760	-	2,853	175
PosteMobile SpA	-	-	19,135	103	-	29,049	64,293	41,199	-
PosteShop SpA	-	1,537	1,563	87	-	2,771	-	49	-
SDA Express Courier SpA	-	109,153	5,178	8	-	758	-	2,904	8,472
Indirect subsidiaries									
Address Software Srl	-	-	4	-	-	5	-	-	-
Docutel SpA	-	-	4	-	-	1	-	-	-
Italia Logistica Srl	-	-	2,045	-	-	6	-	178	-
Kipoint SpA	-	-	15	-	-	80	-	123	-
Poste Assicura SpA	-	-	3,958	-	-	861	-	1	70
PostelPrint SpA	-	-	195	-	-	475	-	69,421	352
Uptime SpA[1]	-	-	65	-	-	-	-	-	-
Associates									
Docugest SpA	-	-	4,324	-	-	-	-	-	-
Telma-Sapienza Scarl	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	6,741,808	354,020	1,148,786	21,137	1,397,125	-	-	110,300	12,140
Cassa Depositi e Prestiti Group[2]	-	-	948,075	-	-	2,523,542	226,417	-	-
Enel Group	-	-	51,922	-	-	-	-	10,801	-
Eni Group	-	-	1,993	-	-	-	-	15,654	-
Equitalia Group	-	-	44,957	-	-	-	-	1,620	-
Ferrovie dello Stato Group	-	-	1,387	-	-	-	-	136	-
Finmeccanica Group	-	-	383	-	-	-	-	35,311	-
Other related parties external to the Group	-	-	688	-	-	-	-	8,094	57,203
Provisions for doubtful debts from external related parties	-	-	(83,380)	(10,070)	-	-	-	-	-
Total	**6,741,808**	**1,121,302**	**2,381,093**	**204,707**	**1,397,125**	**2,626,575**	**622,755**	**509,085**	**80,223**

[1] Joint venture.
[2] In November 2012 Cassa Depositi e Prestiti acquired 100% of Sace SpA and Fintecna SpA.

At 31 December 2013, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group arising on trading relations amount to €60,056 thousand.

tab. 4.4.3 - Impact of related party transactions on the results of operations

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	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	3	1,075	-	(9,389)	70
Cassa Depositi e Prestiti Group	1,620,568	2	-	-	4	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.

tab. 4.4.4 - Impact of related party transactions on the results of operations

	For the year ended 31 December 2012								
	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	450	605	-	-	-	238	-	-	-
BancoPosta Fondi SpA SGR	13,684	351	-	-	-	1	-	-	32
CLP ScpA	1,019	697	1	3,845	1,524	188,169	-	1,723	-
Consorzio Servizi Telef. Mobile ScpA	20	-	-	(1)	177	14,240	-	122	-
EGI SpA	159	153	-	-	-	6,582	1	48	492
Mistral Air Srl	279	46	227	-	-	285	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-
Poste Energia SpA	89	129	18	317	161	109,702	-	-	5
Poste Tributi ScpA	2,970	358	-	-	-	2	-	1,264	1
PosteTutela SpA	186	3,451	-	-	-	93,704	-	61	16
Poste Vita SpA	236,703	334	22,825	-	-	1,544	58	366	1,472
Postecom SpA	236	2,021	15	2,255	40,178	80,408	223	(10)	3
Postel SpA	14,755	1,116	1,787	-	-	36	147	291	-
PosteMobile SpA	20,419	464	-	-	-	83,751	54	(17)	107
PosteShop SpA	1,900	190	38	-	-	30	25	42	1
SDA Express Courier SpA	1,197	870	2,076	-	-	93	707	74	-
Indirect subsidiaries									
Address Software Srl	4	-	-	-	-	-	-	-	-
Docutel SpA	4	-	-	-	-	-	-	-	-
Italia Logistica Srl	34	402	-	-	-	-	-	108	-
Kipoint SpA	16	-	-	-	-	206	-	-	-
Poste Assicura SpA	9,849	20	-	-	-	458	-	-	-
PostelPrint SpA	193	213	-	-	5,089	117,505	-	467	-
Uptime SpA[1]	15	1	-	-	-	-	-	-	-
Associates									
Docugest SpA	105	-	-	-	-	-	-	-	-
Telma-Sapienza Scarl	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	778,844	753	22,605	-	-	2,182	-	(15,249)	109
Cassa Depositi e Prestiti Group[2]	1,649,761	-	-	-	-	23,542	-	-	14,329
Enel Group	130,113	24	-	-	-	1,359	-	164	-
Eni Group	23,527	39	-	-	-	39,921	-	-	-
Equitalia Group	8,843	-	-	-	-	1,709	-	-	-
Finmeccanica Group	81	1	-	1,568	5,384	45,518	-	-	-
Other related parties external to the Group	12,770	957	-	-	-	13,535	32,555	5	-
Total	**2,908,225**	**13,195**	**49,592**	**7,984**	**52,513**	**824,720**	**33,770**	**(10,541)**	**16,567**

[1] Joint venture.
[2] In November 2012 Cassa Depositi e Prestiti acquired 100% of Sace SpA and Fintecna SpA.

At 31 December 2013, total provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group arising on trading relations amount to €4,660 thousand.

The nature of 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, etc. 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

Key management personnel consist of Directors and managers at the first organisational level of the Company. The related remuneration, gross of expenses and social security contributions, is as follows:

tab. 4.4.5 - Remuneration of key management personnel

Item	For the year ended 31 December 2013	For the year ended 31 December 2012
Remuneration paid in short/medium term	15,717	14,116
Post-employment benefits	462	462
Total	**16,179**	**14,578**

No loans were granted to key management personnel during 2013; at 31 December 2013 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 art. 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; and 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 2013 the Company's net debt/(funds) is as follows:

tab. 4.5.1 - Net debt/(funds)

Item	Note	Balance at 31 December 2013	*of which related party transactions*	Balance at 31 December 2012	*of which related party transactions*
Financial liabilities attributable to BancoPosta	[tab. B6]	**48,702,438**		**48,721,849**	
Postal current account deposits		41,132,902	*95,998*	40,018,626	*98,886*
Financial institutions borrowings		4,922,980	*1,729,856*	5,565,822	*2,523,542*
Derivative financial instruments		470,973	-	816,116	-
Other financial liabilities		2,175,583	*6,025*	2,321,285	*4,148*
Financial liabilities	[tab. B7]	**2,548,264**		**2,121,611**	
Bonds		808,717	-	-	-
Loans from Cassa Depositi e Prestiti		116,976	*116,976*	226,417	*226,417*
Financial institutions borrowings		1,289,988	-	1,442,004	-
Derivative financial instruments		25,513	-	40,074	-
Other financial liabilities		307,070	*306,045*	413,116	*396,338*
Financial assets attributable to BancoPosta	[tab. A5]	**(46,502,542)**		**(44,333,625)**	
Receivables		(6,828,178)	*(6,086,122)*	(7,817,432)	*(6,741,808)*
Held-to-maturity financial assets		(15,221,162)	-	(14,048,068)	-
Available-for-sale financial assets		(24,421,115)	-	(22,455,968)	-
Derivative financial instruments		(32,087)	-	(12,157)	-
Financial assets	[tab. A6]	**(2,010,603)**		**(1,683,033)**	
Loans and receivables		(1,250,206)	*(1,207,906)*	(1,171,451)	*(1,121,302)*
Available-for-sale financial assets		(760,397)	-	(511,582)	-
Net financial liabilities/(assets)		**2,737,557**		**4,826,802**	
Cash and deposits attributable to BancoPosta	[tab. A9]	**(3,079,693)**	**-**	**(3,179,701)**	-
Cash and cash equivalents	[tab. A10]	**(587,652)**	*(529,414)*	**(1,458,275)**	*(1,397,125)*
Net debt/(funds)		**(929,788)**		**188,826**	

Determination of fair value

The fair value measurement techniques used by the Company are described in note 2.2 - *Summary of significant accounting standards and policies*. In compliance with the provisions of IFRS 13 - *Fair Value Measurement*, this section provides information regarding determination of the fair value of the financial assets and liabilities recognised at their fair value. The additional information related to financial assets and liabilities recognised at their amortised cost are described in the respective notes.
The table below breaks down the fair value of financial assets and liabilities by level in the fair value hierarchy:

tab. 4.5.2 - Fair value hierarchy

	At 31 December 2013				At 31 December 2012			
Item	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta	24,254,626	198,459	117	24,453,202	22,426,616	41,392	117	22,468,125
Available-for-sale financial assets	24,254,626	166,372	117	24,421,115	22,426,616	29,235	117	22,455,968
Fixed income instruments	24,254,626	119,077	-	24,373,703	22,426,616	-	-	22,426,616
Equity instruments	-	47,295	117	47,412	-	29,235	117	29,352
Held for trading	-	-	-	-	-	-	-	-
Derivative financial instruments	-	32,087	-	32,087	-	12,157	-	12,157
Financial assets	680,897	-	79,500	760,397	507,082	-	4,500	511,582
Available-for-sale financial assets	680,897	-	79,500	760,397	507,082	-	4,500	511,582
Fixed income instruments	675,895	-	-	675,895	502,837	-	-	502,837
Equity instruments	-	-	79,500	79,500	-	-	4,500	4,500
Held for trading	5,002	-	-	5,002	4,245	-	-	4,245
Derivative financial instruments	-	-	-	-	-	-	-	-
Total financial assets at fair value	**24,935,523**	**198,459**	**79,617**	**25,213,599**	**22,933,698**	**41,392**	**4,617**	**22,979,707**
Financial liabilities attributable to BancoPosta	-	(470,973)	-	(470,973)	-	(816,116)	-	(816,116)
Derivative financial instruments	-	(470,973)	-	(470,973)	-	(816,116)	-	(816,116)
Financial liabilities	-	(25,513)	-	(25,513)	-	(40,074)	-	(40,074)
Derivative financial instruments	-	(25,513)	-	(25,513)	-	(40,074)	-	(40,074)
Total financial liabilities at fair value	**-**	**(496,486)**	**-**	**(496,486)**	**-**	**(856,190)**	**-**	**(856,190)**

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 2013. The increase in Level 3 of the fair value hierarchy reflects the purchase of shares in Alitalia - Compagnia Aerea Italiana SpA on 23 December 2013 at a total price of €75,000 thousand.

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[63].

63. 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".

In particular, the disclosures in question concern the following positions at 31 December 2013:
- 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.

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: Financial instruments transferred or posted as collateral (e)	Collateral: Securities given/(received) as collateral (f)	Collateral: Cash given/(received) as collateral (g)	Net amount of financial assets/(liabilities) at 31 December 2013 (h=d+e+f+g)
Year ended 31 December 2013								
BancoPosta								
Derivatives	32,087	(470,973)	-	(438,886)	-	110,754	342,945	14,813
Repurchase agreements	-	(4,922,980)	-	(4,922,980)	5,667,730	(233,544)	(9,666)	501,540
Other	-	-	-	-	-	-	-	-
Financial assets/(liabilities)								
Derivatives	-	(25,513)	-	(25,513)	-	-	26,780	1,267
Repurchase agreements	-	(677,102)	-	(677,102)	675,895	-	2,815	1,608
Other	-	-	-	-	-	-	-	-
Total at 31 December 2013	**32,087**	**(6,096,568)**	**-**	**(6,064,481)**	**6,343,625**	**(122,790)**	**362,874**	**519,228**
Year ended 31 December 2012								
BancoPosta								
Derivatives	12,157	(816,116)	-	(803,959)	-	252,015	517,265	(34,679)
Repurchase agreements	-	(5,565,823)	-	(5,565,823)	6,563,438	(358,255)	-	639,360
Other	-	-	-	-	-	-	-	-
Financial assets/(liabilities)								
Derivatives	-	(40,074)	-	(40,074)	-	-	37,150	(2,924)
Repurchase agreements	-	(488,864)	-	(488,864)	502,837	-	(15,374)	(1,401)
Other	-	-	-	-	-	-	-	-
Total at 31 December 2012	**12,157**	**(6,910,877)**	**-**	**(6,898,720)**	**7,066,275**	**(106,240)**	**539,041**	**600,356**

(*) 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 2013, these assets concern the repurchase agreements entered into with primary financial intermediaries.

tab 4.5.4 - Transfer of financial assets that are not derecognised

		At 31 December 2013			At 31 December 2012		
Item	Note	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta	[A5]						
Held-to-maturity financial assets		5,090,003	5,153,399	5,520,033	6,246,310	6,282,443	6,563,438
Available-for-sale financial assets		139,000	147,697	147,697	-	-	-
Financial liabilities attributable to BancoPosta	[B6]						
Financial liabilities arising from repos		(4,888,929)	(4,922,980)	(4,943,512)	(5,517,542)	(5,565,822)	(5,609,595)
Financial assets	[A6]						
Available-for-sale financial assets		650,000	675,895	675,895	500,000	502,837	502,837
Financial liabilities	[B7]						
Financial liabilities arising from repos		(676,959)	(677,102)	(677,186)	(488,570)	(488,864)	(488,673)
Total		**313,115**	**376,909**	**722,927**	**740,198**	**730,594**	**968,007**

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 2013	At 31 December 2012
Post office savings books	106,920,022	98,777,506
Interest-bearing Postal Certificates	211,706,910	213,269,999
Cassa Depositi e Prestiti	137,857,442	137,519,514
MEF	73,849,468	75,750,485
Total	**318,626,932**	**312,047,505**

Commitments

tab. 4.6.2 - Purchase commitments

Item	At 31 December 2013	At 31 December 2012
Goods and services	664,308	672,698
Property leases	590,531	572,494
Property, plant and equipment	45,533	48,136
Intangible assets	30,227	37,604
Investment property	54	14
Total	**1,330,653**	**1,330,946**

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 2013	At 31 December 2012
Lease rentals due:		
within 12 months	160,986	161,573
between 2 and 5 years after end of reporting date	367,975	350,870
after 5 years	61,570	60,051
Total	**590,531**	**572,494**

Guarantees

Unsecured guarantees issued by Poste Italiane SpA are as follows:

tab 4.6.3 - Guarantees

Item	At 31 December 2013	At 31 December 2012
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	136,043	89,153
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	29,074	21,254
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	4,920	4,218
Total	**170,037**	**114,625**

Third-party assets

tab. 4.6.4 - Third-party assets

Item	At 31 December 2013	At 31 December 2012
Bonds subscribed by customers held at third-party banks	11,899,008	17,067,814
Other assets	26,514	23,606
Total	**11,925,522**	**17,091,420**

Assets in the process of allocation

At 31 December 2013 the Company had paid a total of €256,304 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 2013 and 2012.

tab. 4.6.5 - Disclosure of fees paid to independent auditors

Item	Entity providing the service	Fees(*) For the year ended 31 December 2013	For the year ended 31 December 2012
Audit	PricewaterhouseCoopers SpA	1,010	1,050
	PricewaterhouseCoopers Network	-	-
Voluntary audits or audit-related services	PricewaterhouseCoopers SpA	274	168
	PricewaterhouseCoopers Network	190	-
Services other than audit	PricewaterhouseCoopers SpA	-	-
	PricewaterhouseCoopers Network	592	620
Total		**2,066**	**1,838**

(*) The above amounts do not include incidental expenses and charges.

Voluntary audits or audit-related services include an assignment by the Company to update the EMTN - Euro Medium Term Note programme and a due diligence engagement carried out in 2013.

Services other than audit mainly relate to a long-term contract, awarded by Poste Italiane SpA via a tender process, to monitor the quality of the Priority Mail and Posta Target services.

4.7 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 January 2014 the Italian Cabinet approved a draft decree governing the sale of not more than 40% of Poste Italiane via a public offering of shares to Italian retail investors, including employees of the Poste Italiane Group, and/or Italian and international institutional investors. The draft legislation is currently being examined by the relevant parliamentary committees. The shareholder and the Company have initiated the activities needed in order to complete the transaction by the end of 2014.

Other 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 2013.

5. RISK MANAGEMENT

Introduction

Definition and optimisation of the Poste Italiane Group's financial structure, over the short and medium/long term, and management of the related cash flows is the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.
Management of the Group's financial transactions and of the associated risks is primarily attributable to the operations of Poste Italiane SpA and the insurance company, Poste Vita SpA.

- **Poste Italiane SpA**'s financial transactions primarily relate to BancoPosta's operations and transactions involved in assets financing and liquidity investment.
  BancoPosta RFC's operations consist in the management of liquidity generated by postal current accounts 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 account are invested in euro zone government securities[64], 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 leading market operator's statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition tends 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 (whose limits are fixed by specific guidelines issued 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 (note 4.2 - *Information on BancoPosta RFC*).
  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 subject to the same requirements applied to the investment in 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 profit 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, primarily include products whose benefits are revaluated based on the return generated through the management of separate pools of financial assets, with certain autonomy, in accounting terms, from the rest of the company's assets (so-called separately managed accounts). With regard to these instru-

64. Following the changes introduced by Law 191 of 23 December 2009, it became possible for BancoPosta to invest up to 5% of its deposits in securities guaranteed by the Italian government.

ments, any changes in fair value at the above dates are fully reflected in the liability to policyholders as a result of application of 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 an assumed 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").
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 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.
Rather than being revaluated on the basis of the performances of separately portfolios, certain Branch I 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, as are other Branch I products, to separate pools of assets. The financial risk of capitalisation products is fully covered by insurance liabilities except for default by the issuer which is borne by the insurer.
Index-linked and unit-linked products, relating to Branch III insurance products, regard policies with premium 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, as such, 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. The company continuously monitors changes in the risk profile of individual products, focusing especially on the risk linked to the insolvency of issuers.

Within this context, the objectives of a balanced financial management and monitoring of the main risk/return profiles are carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- an Investment Committee established at the Group's insurance company, Poste Vita SpA, and which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- a Risk Measurement and Control function carried out by 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), and operating on the basis of the organisational separation of risk assessment from risk management activities. 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 By-laws and headed 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 Committee provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions. As a rule the Committee meets once a month to examine, at the proposal of the Head of BancoPosta, key issues relating to the management and performance of the ring-fenced capital. Poste Italiane SpA's CEO then takes the necessary actions based on the work of the Committee, supported by the relevant functions.

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.

Sovereign risk (or spread risk) became a major component of market risk from 2011.This regards the risk of a potential fall in the value of bonds held by the Group, following a deterioration in the creditworthiness of sovereign issuers. This is due to the importance of the impact of the spreads applicable to government securities on the fair value of euro zone government securities, which reflects 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 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 to monitor credit, liquidity and interest rate risks, the Group has also taken into account the existing prudential supervisory standards for banks, despite the fact that BancoPosta RFC is not yet required to apply such standards, whilst waiting for the issue of specific instructions, which are currently the subject of a consultation process initiated by the Supervisory Authority on 28 March 2014.

Poste Italiane Group

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. The amounts accounted for in the financial statements at 31 December 2013 were subjected to a stress test, based on historical volatility from the respective periods, considered representative of potential market movements.
The principal financial assets subject to price risk and the results of the analysis at 31 December 2013 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk

		Changes in value		Effect on liabilities towards policyholders		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Position	+Vol	-Vol	+Vol	-Vol	+Vol	-Vol	+Vol	-Vol
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)**
2012 effects									
Available-for-sale financial assets	1,099,227	84,087	(84,087)	76,823	(76,823)	-	-	7,264	(7,264)
Equity instruments	33,761	8,305	(8,305)	1,595	(1,595)	-	-	6,710	(6,710)
Other investments	1,065,466	75,782	(75,782)	75,228	(75,228)	-	-	554	(554)
Financial assets at fair value through profit or loss	3,811,030	193,092	(193,092)	192,662	(192,662)	430	(430)	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Structured bonds	3,102,351	165,912	(165,912)	165,520	(165,520)	392	(392)	-	-
Other investments	708,679	27,180	(27,180)	27,142	(27,142)	38	(38)	-	-
Derivative financial instruments	118,146	26,087	(26,087)	26,087	(26,087)	-	-	-	-
Fair value through profit or loss	118,146	26,087	(26,087)	26,087	(26,087)	-	-	-	-
Variability at 31 December 2012	**5,028,403**	**303,266**	**(303,266)**	**295,572**	**(295,572)**	**430**	**(430)**	**7,264**	**(7,264)**

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.

Shares in Alitalia - Compagnia Aerea Italiana SpA acquired by the Parent Company on 23 December 2013 for €75,000 thousand are an equity investment without an observable price in an active market. As there is a distinct possibility that this investment is purchased by a third party, no sensitivity analysis was performed.

At 31 December 2013 other equity instruments include:
- MasterCard Incorporated and VISA Incorporated shares held by BancoPosta RFC, totalling €47,295 thousand. For the purposes of the sensitivity analysis, the shares held in portfolio 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 separate portfolios of Branch I, totalling €5,285 thousand.

Other investments include:
- units of mutual investment funds held by Poste Vita SpA, amounting to €1,536,911 thousand, to meet its obligations to policyholders under the separately managed Branch I portfolio;
- and units of mutual investment funds held not attributable to the Parent Company, amounting to €5,002 thousand.

In relation to **financial assets recognised at fair value through profit or loss**, price risk concerns investments held by Poste Vita SpA which are used nearly entirely to cover Branch III policies.

Lastly, in relation to **derivative financial instruments**, the price risk relates to warrants acquired to cover the benefits associated with the Branch III policies held by Poste Vita SpA.

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. It was decided to apply an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

At 31 December 2013, 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	Effect on liabilities towards policyholders		Pre-tax profit		Equity reserves	
			+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days
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)**
2012 effects								
Available-for-sale financial assets	38,573	29,236	2,520	(2,520)	-	-	2,520	(2,520)
Equity instruments	38,573	29,236	2,520	(2,520)	-	-	2,520	(2,520)
Variability at 31 December 2012	**38,573**	**29,236**	**2,520**	**(2,520)**	**-**	**-**	**2,520**	**(2,520)**

Within **available-for-sale financial assets**, foreign exchange risk relates to the MasterCard Incorporated and VISA Incorporated shares, denominated in US dollars.

Poste Italiane Group - Foreign exchange risk/SDR

			Changes in value		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Position in SDR/000	Position in €/000	+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days
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**	**-**	**-**
2012 effects								
Current assets in SDRs	68,019	79,233	2,945	(2,945)	2,945	(2,945)	-	-
Current liabilities in SDRs	(69,755)	(81,255)	(3,020)	3,020	(3,020)	3,020	-	-
Variability at 31 December 2012	**(1,736)**	**(2,022)**	**(75)**	**75**	**(75)**	**75**	**-**	**-**

Currency 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. **Trade receivables/payables outstanding with overseas counterparties** account for nearly all the reported currency exposure.

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 swapped into 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 due to conversion 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 do, however, offer a basic point of reference, 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 2013 for the Poste Italiane Group's positions.

Poste Italiane Group - Fair value interest rate risk

	Risk exposure		Changes in value		Effect on liabilities towards policyholders		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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	7,106,167	6,560,746	(253,202)	253,999	(253,202)	253,999	-	-	-	-
Fixed-income instruments	7,106,167	6,560,746	(253,202)	253,999	(253,202)	253,999	-	-	-	-
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	**88,874,927**	**89,698,416**	**(4,810,552)**	**4,747,883**	**(3,620,515)**	**3,525,034**	**2,308**	**(3,573)**	**(1,192,345)**	**1,226,421**
2012 effects										
Financial assets										
Available for sale financial assets	67,231,021	70,390,611	(3,417,790)	3,593,574	(2,113,546)	2,441,687	-	-	(1,304,244)	1,151,887
Fixed-income instruments	67,231,021	70,390,611	(3,417,790)	3,593,574	(2,113,546)	2,441,687	-	-	(1,304,244)	1,151,887
Financial assets at FV through profit or loss	7,129,012	6,152,553	(275,690)	274,869	(275,690)	274,869	-	-	-	-
Fixed-income instruments	7,129,012	6,152,553	(275,690)	274,869	(275,690)	274,869	-	-	-	-
Derivative financial instruments	800,000	12,157	(16,225)	1,667	-	-	-	-	(16,225)	1,667
Cash flow hedges	800,000	12,157	(16,225)	1,667	-	-	-	-	(16,225)	1,667
Financial liabilities	-									
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Variability at 31 December 2012	**75,160,033**	**76,555,321**	**(3,709,705)**	**3,870,110**	**(2,389,236)**	**2,716,556**	**-**	**-**	**(1,320,469)**	**1,153,554**

Available-for-sale financial assets exposed to the risk in question regard primarily fixed rate instruments held nearly entirely by the Parent Company, by Poste Vita SpA and by BdM-MCC SpA.
They include:

- €24,373,703 thousand in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €14,109,961 thousand, variable rate bonds converted into fixed rate bonds via cash flow swaps amounting to €2,414,929 thousand, variable rate bonds amounting to €3,721,841 thousand (of which €2,742,321 thousand in inflation-linked instruments and €979,520 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 €4,126,972 thousand;
- €48,767,416 thousand in government bonds held by Poste Vita SpA (inclusive of €3,859,709 thousand in inflation-linked instruments); of this amount, €44,588,614 thousand covers this company's Branch I contractual obligations, €2,147,889 thousand covers products funding a specific pool of assets, whilst €2,030,913 thousand relates to Poste Vita's free capital;
- €8,764,478 thousand in other, non-government bonds held by Poste Vita SpA, used almost entirely to meet obligations towards policyholders in relation to separately managed Branch I accounts;
- €675,895 thousand in investments held by the Parent Company outside the ring-fence;
- €470,750 thousand in euro zone government bonds held by BdM-MCC SpA and BancoPosta Fondi SpA SGR.

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 €6,560,746 thousand. These consist of investments with a fair value of €5,888,910 thousand, relating to coupon stripped[65] BTPs covering obligations associated with Branch III insurance products, and with a fair value of €671,836 thousand relating to corporate bonds covering Branch I contractual obligations.

Within the context of **financial liabilities**, the risk in question concerns fair value losses of €337 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 2013 the duration of BancoPosta's overall investments went from 5.5 to 5.1 years, due to the adjustment of the new model used to estimate the turnover in demand deposits, which had been calibrated in a more conservative manner, to assume a shorter theoretical duration of current accounts held by individual customers. As to Branch I policies issued by Poste Vita SpA, the average duration of the assets matching such policies shifted from 5.61 years at 31 December 2012 to 6.01 years at 31 December 2013 whilst the average duration of the liabilities shifted from 5.83 years to 5.67 years. The financial instruments intended to cover the technical provisions for Branch III have maturities that match those of the liabilities.

Sovereign 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 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.
The global financial system has been affected by significant tensions and ongoing financial market turbulence and volatility since 2011, with Italy particularly exposed. During 2013 spreads between German bunds and government bonds issued by many other European countries, including Italy, registered an uneven performance initially, with the spread on ten-year bonds declining eventually to 217 bps at 31 December 2013 (321 bps at 31 December 2012). The progressive improvement in Italy's credit rating in 2013 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified as available-for-sale (AFS) by the Group, 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. A floor of zero was set for the shift of -100 bps to avoid negative returns for shorter-term maturities.
In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita Group monitor 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 portfolios of both the Parent Company and the Poste Vita Group to sovereign risk at 31 December 2013.

65. 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.

Poste Italiane SpA - Effect of credit spread on fair value

	Risk exposure		Changes in value		Pre-tax profit		Equity reserve	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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
Derivative financial instruments								
Cash flow hedges	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets attributable to postal and business services	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**
2012 effects								
Financial assets attributable to BancoPosta	22,275,850	22,438,773	(1,717,179)	1,934,709	-	-	(1,717,179)	1,934,709
Available-for-sale financial assets								
Government bonds	21,475,850	22,426,616	(1,700,954)	1,917,415	-	-	(1,700,954)	1,917,415
Derivative financial instruments								
Cash flow hedges	800,000	12,157	(16,225)	17,294	-	-	(16,225)	17,294
Fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets attributable to postal and business services	500,000	502,837	(29,970)	32,219	-	-	(29,970)	32,219
Available-for-sale financial assets								
Government bonds	500,000	502,837	(29,970)	32,219	-	-	(29,970)	32,219
Variability at 31 December 2012	**22,775,850**	**22,941,610**	**(1,747,149)**	**1,966,928**	**-**	**-**	**(1,747,149)**	**1,966,928**

Poste Vita Group - Effect of credit spread on fair value

	Risk exposure		Changes in value		Effect on liabilities towards policyholders		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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**
2012 effects										
Financial assets										
Available for sale financial assets	44,675,061	46,859,152	(2,268,233)	2,597,445	(2,113,546)	2,441,687	-	-	(154,687)	155,758
Government bonds	38,098,352	39,893,801	(1,983,626)	2,300,913	(1,850,960)	2,166,546	-	-	(132,666)	134,367
Corporate Investment Grade bonds	6,423,234	6,818,460	(278,416)	289,846	(256,808)	268,455	-	-	(21,608)	21,391
Corporate High Yield bonds	153,475	146,891	(6,191)	6,686	(5,778)	6,686	-	-	(413)	-
Financial assets at FV throgh profit or loss	7,129,012	6,152,553	(280,272)	279,452	(280,272)	279,452	-	-	-	
Government bonds	6,776,974	5,794,017	(264,740)	264,740	(264,740)	264,740	-	-	-	-
Corporate Investment Grade bonds	296,812	303,461	(13,437)	12,620	(13,437)	12,620	-	-	-	-
Corporate High Yield bonds	55,226	55,075	(2,095)	2,092	(2,095)	2,092	-	-	-	-
Variability at 31 December 2012	**51,804,073**	**53,011,705**	**(2,548,505)**	**2,876,897**	**(2,393,818)**	**2,721,139**	**-**	**-**	**(154,687)**	**155,758**

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 2013.

Poste Italiane SpA - VaR analysis

Date of reference of the analysis	Risk exposure		
	Nominal value	Fair value	SpreadVaR
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
Derivative financial instruments			
Cash flow hedges	-	-	-
Fair value through profit or loss	-	-	-
Financial assets attributabe to postal and business services	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**
2012 effects			
Financial assets attributable to BancoPosta	22,275,850	22,438,773	351,299
Available-for-sale financial assets			
Government bonds	21,475,850	22,426,616	348,847
Derivative financial instruments			
Cash flow hedges	800,000	12,157	3,495
Fair value through profit or loss	-	-	-
Financial assets attributabe to postal and business services	500,000	502,837	6,270
Available-for-sale financial assets			
Government bonds	500,000	502,837	6,270
Variability at 31 December 2012	**22,775,850**	**22,941,610**	**356,362**

Poste Vita Group - VaR analysis

Date of reference of the analysis	Risk exposure		
	Nominal value	Fair value	SpreadVaR
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
Derivative financial instruments	-	-	-
Government bonds (forward purchases)	-	-	-
Variability at 31 December 2013	**65,511,917**	**64,680,353**	**521,393**
2012 effects			
Financial assets			
Available-for-sale financial assets	44,675,061	46,859,152	657,355
Government bonds	38,098,352	39,893,801	653,377
Corporate Investment Grade bonds	6,423,234	6,818,460	8,437
Corporate High Yield bonds	153,475	146,891	378
Financial instruments at FV through profit or loss	7,129,012	6,152,553	70,884
Government bonds	6,776,974	5,794,017	70,371
Corporate Investment Grade bonds	296,812	303,461	993
Corporate High Yield bonds	55,226	55,075	139
Derivative financial instruments	-	-	-
Government bonds (forward purchases)	-	-	-
Variability at 31 December 2012	**51,804,073**	**53,011,705**	**728,238**

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 2013 a significant number of rating downgrades by the leading agencies, an activity that began in 2011, did not result in a progressive deterioration in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was (A-) at 31 December 2013, unchanged from 31 December 2012.

The Poste Italiane Group's **financial assets** exposed to the risk in question at 31 December 2013 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

	Balance at 31 December 2013				Balance at 31 December 2012			
Item	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	**-**	**6,701,392**	**1,128,135**	**7,829,527**	**111,351**	**7,602,866**	**689,027**	**8,403,244**
Loans	-	32,518	690,251	722,769	-	42,756	138,117	180,873
Receivables	-	254,482	24,098	278,580	-	391,170	13,769	404,939
BancoPosta receivables	-	6,414,392	413,786	6,828,178	111,351	7,168,940	537,141	7,817,432
Available-for-sale financial assets	**1,655,899**	**81,213,002**	**269,107**	**83,138,008**	**1,704,046**	**67,432,725**	**146,892**	**69,283,663**
Credit instruments Poste Vita Branch I	1,645,965	53,392,968	269,107	55,308,040	1,632,105	39,241,764	146,560	41,020,429
Credit instruments Poste Vita Branch III	-	-	-	-	-	-	-	-
Credit instruments Poste Vita free capital	9,934	2,213,922	-	2,223,856	71,941	4,591,354	332	4,663,627
BancoPosta credit instruments	-	24,373,703	-	24,373,703	-	22,426,616	-	22,426,616
Other instruments and deposits (PII+PASSICURA+MCC)	-	1,232,409	-	1,232,409	-	1,172,991	-	1,172,991
Held-to-maturity financial assets	**-**	**15,221,162**	**-**	**15,221,162**	**-**	**14,048,068**	**-**	**14,048,068**
BancoPosta credit instruments	-	15,221,162	-	15,221,162	-	14,048,068	-	14,048,068
Financial assets at FV through profit or loss	**58,151**	**9,452,740**	**33,107**	**9,543,998**	**385,359**	**8,814,470**	**55,075**	**9,254,904**
Credit instruments Poste Vita Branch I	58,151	1,082,528	33,107	1,173,786	-	303,461	55,075	358,536
Credit instruments Poste Vita Branch III	-	8,367,431	-	8,367,431	384,397	8,505,202	-	8,889,599
Credit instruments Poste Vita free capital	-	2,781	-	2,781	962	5,807	-	6,769
Other instruments and deposits	-	-	-	-	-	-	-	-
Derivative financial instruments	**-**	**329,137**	**13**	**329,150**	**-**	**237,647**	**6**	**237,653**
Cash flow hedges	-	31,691	-	31,691	-	12,157	-	12,157
Fair value hedges	-	87,458	-	87,458	-	107,344	-	107,344
Fair value through profit or loss	-	209,988	13	210,001	-	118,146	6	118,152
Total	**1,714,050**	**112,917,433**	**1,430,362**	**116,061,845**	**2,200,756**	**98,135,776**	**891,000**	**101,227,532**

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 current value method, in accordance with the Bank of Italy's prudential supervisory instructions.

The Poste Italiane Group's **trade receivables** exposed to the risk in question at 31 December 2013 are shown in the table below.

Poste Italiane Group - Credit risk on trade receivables

Item	At 31 December 2013 Carrying amount	At 31 December 2013 Specific impairment	At 31 December 2012 Carrying amount	At 31 December 2012 Specific impairment
Due from MEF	1,054,307	(50,054)	1,039,348	(61,948)
Private customers	969,242	(166,408)	1,028,924	(157,361)
Cassa Depositi e Prestiti	893,418	-	927,490	(20,556)
Public Sector	620,561	(100,594)	707,149	(83,089)
Overseas postal operators	190,248	(257)	213,939	(257)
Due from subsidiaries, joint ventures and associates	17,617	-	16,690	-
Prepayments	493	-	232	-
Total	**3,745,886**		**3,933,772**	
of which past due	470,274		706,500	

Considering the description provided in note 2.3, 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. All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

The Poste Italiane Group's **other receivables and assets** exposed to the risk in question at 31 December 2013 are shown in the table below.

Poste Italiane Group - Credit risk on other receivables and assets

Item	At 31 December 2013 Carrying amount	At 31 December 2013 Specific impairment	At 31 December 2012 Carrying amount	At 31 December 2012 Specific impairment
Due from tax authorities - tax withholdings	1,866,224	-	1,347,902	-
Receivables due from staff under fixed-term contracts settlement	297,971	(5,913)	311,755	(2,189)
Other receivables	273,000	(46,687)	253,906	(55,171)
Technical provisions for claims attributable to reinsurers	40,340	-	27,948	-
Accrued income and prepaid expenses from trading transactions	16,360	-	17,533	-
Tax assets	12,680	-	10,473	-
Total	**2,506,575**		**1,969,517**	
of which past due	4,365		16,973	

Lastly, the Poste Italiane Group's financial assets exposed to sovereign risk[66] at 31 December 2013 are shown in the table below, pursuant to Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, showing the nominal value, carrying amount and fair value of each type of portfolio.

66. "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

Poste Italiane Group - Exposure to sovereign debt

Item	Balance at 31 December 2013 Nominal value	Carrying amount	Fair value	Balance at 31 December 2012 Nominal value	Carrying amount	Fair value
Italy	**94,563,005**	**95,140,482**	**95,933,103**	**80,650,538**	**81,477,371**	**81,945,152**
Held-to-maturity financial assets	14,913,550	15,221,162	16,013,783	13,902,650	14,048,068	14,515,849
Available-for-sale financial assets	73,196,856	74,030,410	74,030,410	59,970,914	61,635,286	61,635,286
Financial assets at fair value through profit or loss	6,452,599	5,888,910	5,888,910	6,776,974	5,794,017	5,794,017
Austria	**425**	**508**	**508**	**200,925**	**208,402**	**208,402**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	425	508	508	200,925	208,402	208,402
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Belgium	**25,060**	**31,778**	**31,778**	**75,060**	**85,467**	**85,467**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	25,060	31,778	31,778	75,060	85,467	85,467
Financial assets at fair value through profit or loss	-	-	-	-	-	-
France	**147,580**	**164,498**	**164,498**	**189,480**	**228,902**	**228,902**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	147,580	164,498	164,498	189,480	228,902	228,902
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Germany	**58,990**	**69,391**	**69,391**	**39,590**	**49,266**	**49,266**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	58,990	69,391	69,391	39,590	49,266	49,266
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Spain	**27,200**	**28,773**	**28,773**	**42,200**	**40,901**	**40,901**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	27,200	28,773	28,773	42,200	40,901	40,901
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Total	**94,822,260**	**95,435,429**	**96,228,050**	**81,197,793**	**82,090,309**	**82,558,090**

Liquidity risk

The Group applies a financial policy that aims to minimise the risk of having difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments, as follows:

- 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;
- adoption of analysis models designed to monitor the maturities of assets and liabilities.

The expected inflows and outflows for the Poste Italiane Group at 31 December 2013 are shown in the tables below.

Poste Italiane Group - Liquidity risk - Liabilities

Item	At 31 December 2013 Within 12 months	Between 1 and 5 years	Over 5 years	Total	At 31 December 2012 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Flows from Poste Vita Group's policies	5,793,796	31,570,387	58,860,955	96,225,138	5,510,475	26,497,411	46,523,887	78,531,773
Financial liabilities	20,378,679	12,743,550	19,864,088	52,986,317	20,467,964	13,991,340	19,394,754	53,854,058
Postal current acounts	15,558,681	7,735,040	19,214,664	42,508,385	14,485,368	9,343,353	18,261,594	42,090,315
Borrowings	2,545,690	5,008,052	649,424	8,203,166	2,712,735	4,647,323	1,133,160	8,493,218
Other financial liabilities	2,274,308	458	-	2,274,766	3,269,861	664	-	3,270,525
Trade payables	1,519,629	-	-	1,519,629	1,630,695	-	-	1,630,695
Other liabilities	1,894,696	449,711	43,261	2,387,668	1,704,291	292,083	47,524	2,043,898
Total liabilities	**29,586,800**	**44,763,648**	**78,768,304**	**153,118,752**	**29,313,425**	**40,780,834**	**65,966,165**	**136,060,424**

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 2013. The commitments of Poste Vita SpA and Poste Assicura SpA are shown in the item *Flows from Poste Vita Group's policies*.

Poste Italiane Group - Liquidity risk - Assets

Item	At 31 December 2013 Within 12 months	Between 1 and 5 years	Over 5 years	Total	At 31 December 2012 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	16,239,311	49,215,016	84,767,354	150,221,681	17,040,263	41,098,984	71,817,750	129,956,997
Deposits with the MEF	5,078,026	-	-	5,078,026	5,416,414	-	-	5,416,414
Investments in securities	9,029,607	48,714,916	84,445,768	142,190,291	8,856,107	40,907,295	71,732,751	121,496,153
Other financial receivables	2,131,678	500,100	321,586	2,953,364	2,767,742	191,689	84,999	3,044,430
Trade receivables	3,631,922	118,012	-	3,749,934	3,778,462	155,310	-	3,933,772
Other receivables and assets	943,747	1,499,976	120,109	2,563,832	779,656	1,115,558	132,717	2,027,931
Cash and deposits attributable to BancoPosta	3,079,693	-	-	3,079,693	3,179,701	-	-	3,179,701
Cash and cash equivalents	1,445,334	-	-	1,445,334	2,533,323	-	-	2,533,323
Total assets	**25,340,007**	**50,833,004**	**84,887,463**	**161,060,474**	**27,311,405**	**42,369,852**	**71,950,467**	**141,631,724**

Assets, broken down by maturity, are shown above at nominal value and increased, where applicable, by interest receivable. The item *Investments in securities* primarily includes financial instruments held by BancoPosta RFC and the Group's insurance companies. In particular, fixed income instruments are shown on the basis of expected cash flows, which consist of principal and interest paid at the various payment dates.

Liquidity risk mainly relates to the investment of customers' current account deposits and investments linked to Branch I 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 within five years for Public Sector customers. At 31 December 2013, the maturities of investments in euro area government securities and the portfolio replication model approved by the Board of Directors of the Parent 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 uses Asset/Liability Management (ALM) to effectively manage assets in relation to its obligations to policyholders, whilst also developing projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

In addition, for the proper evaluation of the liquidity risk, 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. BancoPosta typically follows this approach.

Additional information on liquidity risk

With regard to Group cash flows 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 includes four main subsidiaries, and makes use, with regard to the banking activities, 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 2013 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 2013 are adequate to meet expected financing requirements (note 3.3, section B6).

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). A floor of 0 (zero) was set for the shift of -100 bps to avoid negative returns for shorter-term maturities.

Sensitivity to cash flow interest rate risk at 31 December 2013 on the Poste Italiane Group's positions is shown in the table below.

Poste Italiane Group - Cash flow interest rate risk

Date of reference of the analysis	Risk exposure Nominal value	Changes in value +100bps	Changes in value -100bps	Effects of liabilities towards policyholders +100bps	Effects of liabilities towards policyholders -100bps	Pre-tax profit +100bps	Pre-tax profit -100bps
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)**
2012 effects							
Financial assets							
Amounts due from MEF	5,416,414	54,164	(54,164)	-	-	54,164	(54,164)
Other financial receivables	696,631	6,967	(2,149)	-	-	6,967	(2,149)
Fixed-income instruments	3,814,874	38,149	(24,356)	16,836	(4,798)	21,313	(19,558)
Other investments	-	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	11,421	114	(1)	-	-	114(1)	-
Cash and cash equivalents							
Deposits with MEF	1,397,125	13,971	(10,478)	-	-	13,971	(10,478)
Bank deposits	1,115,022	11,150	(10,123)	9,001	(8,188)	2,149	(1,935)
Financial liabilities							
Bonds	(568,309)	(5,683)	3,460	-	-	(5,683)	3,460
Borrowings (financial institutions borrowings)	(5,256,475)	(52,565)	52,520	-	-	(52,565)	52,520
Borrowings (overdrafts)	(14,792)	(148)	123	-	-	(148)	123
Borrowings (from subsidiaries)	(551)	(6)	6	-	-	(6)	6
Other financial liabilities	(103,234)	(1,033)	194	-	-	(1,033)	194
Variability at 31 December 2012	**6,508,126**	**65,080**	**(44,968)**	**25,837**	**(12,986)**	**39,243**	**(31,982)**

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- the investment of the funds deriving from the current account deposits of Public Sector entities, with a nominal value of €5,078,026 thousand, placed with the MEF by the Parent Company; as a partial hedge against cash flow interest rate risk, in 2013 interest earned on these funds was stabilised (note 3.3, tab. A5.1);

- fixed and variable rate government bonds held by the Parent Company, with a total nominal value of €1,000,000 thousand, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €975,000 thousand; this item includes an inflation-linked bond issued by the Italian Republic, with a nominal value of €100,000 thousand, 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 amount of €3,571,974 thousand, used mainly to cover contractual obligations associated with Branches I and III policies.

In relation to **cash and cash equivalents**, cash flow interest rate risk regards primarily amounts deposited with the MEF and held in the so-called Buffer account.

As to **financial liabilities**, cash flow interest rate risk concerns mainly two repurchase agreements entered into by the Parent Company with values of €2.5 billion and €1.7 billion, respectively, as described in note 3.3, tab. B8.1.

Cash flow inflation risk

The table below analyses the sensitivity of future cash flows for the Group's financial assets at 31 December 2013.

Poste Italiane Group - Cash flow inflation risk

	Risk exposure		Changes in value		Effect on liabilities towards policyholders		Pre-tax profit	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2013 effects								
Financial assets								
Available-for-sale financial instruments	6,135,700	6,617,206	10,280	(10,199)	9,511	(9,511)	769	(688)
Fixed-income instruments	6,135,700	6,617,206	10,280	(10,199)	9,511	(9,511)	769	(688)
Variability at 31 December 2013	**6,135,700**	**6,617,206**	**10,280**	**(10,199)**	**9,511**	**(9,511)**	**769**	**(688)**
2012 effects								
Financial assets								
Available-for-sale financial instruments	4,313,850	4,591,930	4,081	(4,079)	3,656	(3,674)	425	(405)
Fixed-income instruments	4,313,850	4,591,930	4,081	(4,079)	3,656	(3,674)	425	(405)
Variability at 31 December 2012	**4,313,850**	**4,591,930**	**4,081**	**(4,079)**	**3,656**	**(3,674)**	**425**	**(405)**

At 31 December 2013, the risk related to unhedged inflation-linked government securities with a total nominal value of €6,135,700 thousand, of which €3,603,200 thousand held by the Poste Vita Group and €2,525,000 thousand held by BancoPosta RFC.

Poste Italiane SpA

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. The amounts accounted for in the financial statements at 31 December 2013 were subjected to a stress test, based on historical volatility from the respective periods, considered representative of potential market movements. The principal financial assets subject to price risk and the results of the analysis at 31 December 2013 for the Company are shown in the following table.

Poste Italiane SpA - Price risk

		Changes in value		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Risk exposure	+Vol	-Vol	+Vol	-Vol	+Vol	-Vol
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)**
2012 effects							
Financial assets attributable to BancoPosta							
Available-for-sale financial assets	29,235	6,710	(6,710)	-	-	6,710	(6,710)
Equity instruments	29,235	6,710	(6,710)	-	-	6,710	(6,710)
Financial assets							
Available-for-sale financial assets	4,245	554	(554)	-	-	554	(554)
Other investments	4,245	554	(554)	-	-	554	(554)
Variability at 31 December 2012	**33,480**	**7,264**	**(7,264)**	**-**	**-**	**7,264**	**(7,264)**

Available-for-sale financial assets exposed to the risk in question regard primarily equities.

Shares in Alitalia - Compagnia Aerea Italiana SpA acquired by the Parent Company on 23 December 2013 for €75,000 thousand are an equity investment without an observable price in an active market. As there is a distinct possibility that this investment is purchased by a third party, no sensitivity analysis was performed.

At 31 December 2013 equity instruments included:
- Class B MasterCard Incorporated and Class C VISA Incorporated shares held by BancoPosta RFC, totalling €45,586 thousand and €1,709 thousand, respectively. For the purposes of the sensitivity analysis, the shares held in 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 €5,002 thousand, held 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 considered to be material. It was decided to apply an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.
At 31 December 2013, this item primarily refers to equity instruments denominated in US dollars and Special Drawing Rights. The table below shows the sensitivity to currency risk at 31 December 2013 of the Company's financial assets.

Poste Italiane SpA - Foreign exchange risk/USD

			Changes in value		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Position in USD/000	Position in €/000	+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days	+Vol 260 days	-Vol 260 days
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)**
2012 effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	38,573	29,236	2,520	(2,520)	-	-	2,520	(2,520)
Equity instruments	38,573	29,236	2,520	(2,520)	-	-	2,520	(2,520)
Fixed-income instruments	-	-	-	-	-	-	-	-
Variability at 31 December 2012	**38,573**	**29,236**	**2,520**	**(2,520)**	**-**	**-**	**2,520**	**(2,520)**

Within **available-for-sale financial assets**, the foreign exchange risk relates to the MasterCard Incorporated and VISA Incorporated, denominated in US dollars.

Poste Italiane SpA - Foreign exchange risk/SDR

Date of reference of the analysis	Position in SDR/000	Position in €/000	Changes in value +Vol 260 days	Changes in value -Vol 260 days	Pre-tax profit +Vol 260 days	Pre-tax profit -Vol 260 days	Equity reserves +Vol 260 days	Equity reserves -Vol 260 days
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**	**-**	**-**
2012 effects								
Current assets in SDRs	68,019	79,233	2,945	(2,945)	2,945	(2,945)	-	-
Current liabilities in SDRs	(69,755)	(81,255)	(3,020)	3,020	(3,020)	3,020	-	-
Variability at 31 December 2012	**(1,736)**	**(2,022)**	**(75)**	**75**	**(75)**	**75**	**-**	**-**

Currency 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. **Trade receivables/payables outstanding with overseas counterparties** account for nearly all the reported currency exposure.

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 swapped into 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 due to conversion 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 do, however, offer a basic point of reference, 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 2013 for the Company's positions.

Poste Italiane SpA - Fair value interest rate risk

	Risk exposure		Changes in value		Pre-tax profit		Equity reserves	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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
Derivative financial instruments	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Financial assets at FV through profit or loss	-	-	-	-	-	-	-	-
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**
2012 effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	21,475,850	22,426,616	(1,143,568)	994,459	-	-	(1,143,568)	994,459
Fixed-income instruments	21,475,850	22,426,616	(1,143,568)	994,459	-	-	(1,143,568)	994,459
Derivative financial instruments	800,000	12,157	(16,225)	1,667	-	-	(16,225)	1,667
Cash flow hedges	800,000	12,157	(16,225)	1,667	-	-	(16,225)	1,667
Financial assets at FV through profit or loss	-	-	-	-	-	-	-	-
Financial assets								
Available-for-sale financial assets	500,000	502,837	(318)	(4,001)	-	-	(318)	(4,001)
Fixed-income instruments	500,000	502,837	(318)	(4,001)	-	-	(318)	(4,001)
Financial liabilities	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Variability at 31 December 2012	**22,775,850**	**22,941,610**	**(1,160,111)**	**992,125**	**-**	**-**	**(1,160,111)**	**992,125**

Available-for-sale financial assets exposed to the risk in question regard primarily:

- €24,373,703 thousand in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €14,109,961 thousand, variable rate bonds converted into fixed rate bonds via cash flow swaps amounting to €2,414,929 thousand, variable rate bonds amounting to €3,721,841 thousand (of which €2,742,321 thousand in inflation-linked instruments and €979,520 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 €4,126,972 thousand;
- €675,895 thousand in investments held outside the ring-fence.

Within the context of **financial liabilities**, the risk in question concerns fair value losses of €337 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 2013 the duration of BancoPosta's overall investments went from 5.5 to 5.1 years, due to the adjustment of the new model used to estimate the turnover in demand deposits, which had been calibrated in a more conservative manner, to assume a shorter theoretical duration of current accounts held by individual customers.

Sovereign 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 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.
The global financial system has been affected by significant tensions and ongoing financial market turbulence and volatility since 2011, with Italy particularly exposed. During 2013 spreads between German bunds and government bonds issued by many other European countries, including Italy, registered an uneven performance initially, with the spread on ten-year bonds declining eventually to 217 bps at 31 December 2013 (321 bps at 31 December 2012). The progressive improvement in Italy's credit rating in 2013 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. A floor of zero was set for the shift of -100 bps to avoid negative returns for shorter-term maturities.
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 2013.

Poste Italiane SpA - Effect of credit spread on fair value

	Risk exposure		Changes in value		Pre-tax profit		Equity reserve	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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
Derivative financial instruments								
Cash flow hedges	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
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**
2012 effects								
Financial assets attributable to BancoPosta	22,275,850	22,438,773	(1,717,179)	1,934,709	-	-	(1,717,179)	1,934,709
Available-for-sale financial assets								
Government bonds	21,475,850	22,426,616	(1,700,954)	1,917,415	-	-	(1,700,954)	1,917,415
Derivative financial instruments								
Cash flow hedges	800,000	12,157	(16,225)	17,294	-	-	(16,225)	17,294
Fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets	500,000	502,837	(29,970)	32,219	-	-	(29,970)	32,219
Available-for-sale financial assets								
Government bonds	500,000	502,837	(29,970)	32,219	-	-	(29,970)	32,219
Variability at 31 December 2012	**22,775,850**	**22,941,610**	**(1,747,149)**	**1,966,928**	**-**	**-**	**(1,747,149)**	**1,966,928**

The table below shows the VaR analysis performed on the most significant positions in the Company's portfolio at 31 December 2013.

Poste Italiane SpA - VaR analysis

	Risk exposure		
Date of reference of the analysis	Nominal value	Fair value	Spread VaR
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
Derivative financial instruments			
Cash flow hedges	-	-	-
Fair value through profit or loss	-	-	-
Financial assets attributabe to postal and business services	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**
2012 effects			
Financial assets attributable to BancoPosta	22,275,850	22,438,773	351,299
Available-for-sale financial assets			
Government bonds	21,475,850	22,426,616	348,847
Derivative financial instruments			
Cash flow hedges	800,000	12,157	3,495
Fair value through profit or loss	-	-	-
Financial assets attributabe to postal and business services	500,000	502,837	6,270
Available-for-sale financial assets			
Government bonds	500,000	502,837	6,270
Variability at 31 December 2012	**22,775,850**	**22,941,610**	**356,362**

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 sovereign 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 revealed the following:

- **financial assets attributable to BancoPosta RFC** showed a potential maximum loss on available-for-sale financial assets of €138,098 thousand at 31 December 2013 (€323,202 thousand at 31 December 2012). The decrease in VaR compared to the previous year was due to the lower volatility of the risk factors considered (sovereign risk in particular);
- **financial assets held outside the ring-fence** showed a potential maximum loss on available-for-sale financial assets of €2,557 thousand at 31 December 2013 (€6,436 thousand at 31 December 2012). Also in this case, the decrease in VaR compared to the previous year was due to the lower volatility of sovereign risk.

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 2013 a significant number of rating downgrades by the leading agencies, an activity that began in 2011, did not result in a progressive deterioration in the weighted average rating of the Company's exposures, which, for investments other than Italian government bonds, was (A-) at 31 December 2013, unchanged from 31 December 2012.

The Company's **financial assets** exposed to the risk in question at 31 December 2013 are shown in the table below. The ratings reported in the table have been assigned by Moody's.

Poste Italiane SpA - Credit risk - Financial assets attributable to BancoPosta

	Balance at 31 December 2013				Balance at 31 December 2012			
Item	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	-	6,414,392	413,786	6,828,178	111,351	7,168,940	537,141	7,817,432
Loans	-	6,414,392	413,786	6,828,178	111,351	7,168,940	537,141	7,817,432
Held-to-maturity financial assets	-	15,221,162	-	15,221,162	-	14,048,068	-	14,048,068
Fixed-income instruments	-	15,221,162	-	15,221,162	-	14,048,068	-	14,048,068
Available-for-sale financial assets	-	24,373,703	-	24,373,703	-	22,426,616	-	22,426,616
Fixed-income instruments	-	24,373,703	-	24,373,703	-	22,426,616	-	22,426,616
Derivative financial instruments	-	32,087	-	32,087	-	12,157	-	12,157
Cash flow hedges	-	31,691	-	31,691	-	12,157	-	12,157
Fair value hedges	-	396	-	396	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Total	**-**	**46,041,344**	**413,786**	**46,455,130**	**111,351**	**43,655,781**	**537,141**	**44,304,273**

Poste Italiane SpA - Credit risk - Financial assets

	Balance at 31 December 2013				Balance at 31 December 2012			
Item	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	-	254,482	995,724	1,250,206	-	391,170	780,281	1,171,451
Loans	-	-	983,019	983,019	-	-	767,282	767,282
Receivables	-	254,482	12,705	267,187	-	391,170	12,999	404,169
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Fixed-income instruments	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	675,895	-	675,895	-	502,837	-	502,837
Fixed-income instruments	-	675,895	-	675,895	-	502,837	-	502,837
Derivative financial instruments	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Total	**-**	**930,377**	**995,724**	**1,926,101**	**-**	**894,007**	**780,281**	**1,674,288**

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 current value method, in accordance with the Bank of Italy's prudential supervisory instructions.

The Company's **trade receivables** exposed to the risk in question at 31 December 2013 are shown in the table below.

Poste Italiane SpA - Credit risk on trade receivables

	At 31 December 2013		At 31 December 2012	
Item	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from MEF	1,054,307	(50,054)	1,039,347	(61,948)
Cassa Depositi e Prestiti	893,418	-	927,490	(20,556)
Public Sector	596,068	(100,594)	673,570	(83,089)
Private customers	433,717	(157,518)	468,358	(159,265)
Due from subsidiaries	256,359	-	261,958	-
Overseas postal operators	190,248	(257)	213,939	(257)
Due from associates	4,119	-	4,325	-
Total	**3,428,236**		**3,588,987**	
of which past due	**470,274**		**504,172**	

Considering the description provided in note 2.3, 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. 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 2013 are shown in the table below.

Poste Italiane SpA - Credit risk on other receivables and assets

	At 31 December 2013		At 31 December 2012	
Item	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Due from tax authorities - tax withholdings	880,111	-	589,826	-
Receivables due from staff under fixed-term contracts settlement	292,058	(5,913)	311,755	(2,189)
Other receivables	180,782	(45,133)	223,203	(53,958)
Technical provisions for claims attributable to reinsurers	58,856	-	-	-
Accrued income and prepaid expenses from trading transactions	12,632	-	14,814	-
Tax assets	7,677	-	5,163	-
Other receivables due from subsidiaries	1,242	-	193,640	-
Total	**1,433,358**		**1,338,401**	
of which past due	**4,365**		**17,167**	

Lastly, Poste Italiane SpA's exposure to sovereign risk[67] at 31 December 2013 is shown in the table below, pursuant to Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, showing the nominal value, carrying amount and fair value of each type of portfolio.

Poste Italiane SpA - Exposure to sovereign debt

	At 31 December 2013			At 31 December 2012		
Item	Nominal value	Carrying Amount	Fair Value	Nominal value	Carrying Amount	Fair value
Financial assets attributable to BancoPosta						
Italy	**37,720,650**	**39,594,865**	**40,387,486**	**35,378,500**	**36,474,684**	**36,942,465**
Held-to-maturity financial assets	14,913,550	15,221,162	16,013,783	13,902,650	14,048,068	14,515,849
Available-for-sale financial assets	22,807,100	24,373,703	24,373,703	21,475,850	22,426,616	22,426,616
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets						
Italy	**650,000**	**675,895**	**675,895**	**500,000**	**502,837**	**502,837**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	650,000	675,895	675,895	500,000	502,837	502,837
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Total	**38,370,650**	**40,270,760**	**41,063,381**	**35,878,500**	**36,977,521**	**37,445,302**

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

The Company applies a financial policy that aims to minimise the risk of having difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments, as follows:
- 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;
- adoption of analysis models designed to monitor the maturities of assets and liabilities.

67. "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

The expected inflows and outflows for the Company at 31 December 2013 are shown in the tables below.

Poste Italiane SpA - Liquidity risk - Liabilities

Item	At 31 December 2013 Within 12 months	Between 1 and 5 years	Over 5 years	Total	At 31 December 2012 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities attributable to BancoPosta								
Postal current accounts	15,593,489	7,752,344	19,257,650	42,603,483	14,521,045	9,366,366	18,306,572	42,193,983
Borrowings	1,160,603	3,790,228	-	4,950,831	1,359,495	4,301,750	-	5,661,245
Other financial liabilities	2,175,583	-	-	2,175,583	3,122,434	-	-	3,122,434
Financial liabilities	1,350,187	1,104,401	264,487	2,719,075	1,582,461	165,103	415,010	2,162,574
Trade payables	1,313,997	-	-	1,313,997	1,417,131	-	-	1,417,131
Other liabilities	1,632,112	449,711	43,261	2,125,084	1,306,178	265,919	47,524	1,619,621
Total liabilities	**23,225,971**	**13,096,684**	**19,565,398**	**55,888,053**	**23,308,744**	**14,099,138**	**18,769,106**	**56,176,988**

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 2013.

Poste Italiane SpA - Liquidity risk - Assets

Item	At 31 December 2013 Within 12 months	Between 1 and 5 years	Over 5 years	Total	At 31 December 2012 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta								
Deposits with the MEF	5,078,026	-	-	5,078,026	5,416,414	-	-	5,416,414
Investments in securities	3,543,519	15,613,017	33,149,067	52,305,603	3,950,817	13,472,977	33,490,002	50,913,796
Other financial receivables	1,750,152	-	-	1,750,152	2,401,018	-	-	2,401,018
Financial assets	881,118	369,434	1,144,132	2,394,684	539,980	474,932	1,157,555	2,172,467
Trade receivables	3,332,785	104,716	-	3,437,501	3,450,284	155,515	-	3,605,799
Other receivables and assets	880,581	484,578	120,109	1,485,268	934,995	329,103	132,717	1,396,815
Cash and deposits attributable to BancoPosta	3,079,693	-	-	3,079,693	3,179,701	-	-	3,179,701
Cash and cash equivalents	587,652	-	-	587,652	1,458,275	-	-	1,458,275
Total assets	**19,133,526**	**16,571,745**	**34,413,308**	**70,118,579**	**21,331,484**	**14,432,527**	**34,780,274**	**70,544,285**

Assets at 31 December 2013, 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 as-

sets 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 within five years for Public Sector customers. At 31 December 2013, 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.
In addition, 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

The Company's financial structure at 31 December 2013 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 2013 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). A floor of 0 (zero) was set for the shift of -100 bps to avoid negative returns for shorter-term maturities. Sensitivity to cash flow interest rate risk at 31 December 2013 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 Nominal value	Changes in value +100bps	 -100bps	Pre-tax profit +100bps	 -100bps
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)
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)
Cash and deposits attributable to BancoPosta					
Bank deposits	40,263	403	(403)	403	(403)
Financial liabilities attributable to BancoPosta					
Borrowings (financial institutions borrowings)	(4,200,000)	(42,000)	10,500	(42,000)	10,500
Other financial liabilities	(11,086)	(111)	111	(111)	111
Financial liabilities					
Borrowings (financial institutions 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)**
2012 effects					
Financial assets attributable to BancoPosta					
Amounts due from MEF	5,416,414	54,164	(54,164)	54,164	(54,164)
Other financial receivables	517,265	5,173	(678)	5,173	(678)
Fixed-income instruments	1,500,000	15,000	(15,000)	15,000	(15,000)
Financial assets					
Loans	734,863	7,349	(7,349)	7,349	(7,349)
Other financial receivables	37,150	372	(49)	372	(49)
Fixed-income instruments	375,000	3,750	(3,750)	3,750	(3,750)
Cash and deposits attributable to BancoPosta					
Bank deposits	11,421	114	(1)	114	(1)
Cash and cash equivalents					
Deposits with MEF	1,397,125	13,971	(10,478)	13,971	(10,478)
Bank deposits	40,514	405	(197)	405	(197)
Financial liabilities attributable to BancoPosta					
Borrowings (financial institutions borrowings)	(5,000,000)	(50,000)	50,000	(50,000)	50,000
Other financial liabilities	-	-	-	-	-
Financial liabilities					
Borrowings (financial institutions borrowings)	(250,000)	(2,500)	2,500	(2,500)	2,500
Borrowings (from subsidiaries)	(396,338)	(3,963)	1,625	(3,963)	1,625
Other financial liabilities	(15,374)	(154)	20	(154)	20
Variability at 31 December 2012	**4,368,040**	**43,680**	**(37,520)**	**43,680**	**(37,520)**

Specifically, with respect to **financial assets attributable to BancoPosta**, the cash flow interest rate risk primarily relates to:

- the investment of the funds deriving from the current account deposits of Public Sector entities, with a nominal value of €5,078,026 thousand, placed with the MEF; as a partial hedge against cash flow interest rate risk, in 2013 interest earned on these funds was stabilised;

- fixed and variable rate government bonds with a total nominal value of €1,000,000 thousand, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €600,000 thousand; this item includes an inflation-linked bond issued by the Italian Republic, with a nominal value of €100,000 thousand, which has been hedged against changes in its fair value;
- receivables of €344,365 thousand reflect 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 €975,755 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 regards primarily amounts deposited with the MEF and held in the so-called Buffer account (€529,414 thousand).

As to **financial liabilities attributable to BancoPosta**, cash flow interest rate risk concerns mainly two repurchase agreements entered into by the Company, totalling €2.5 billion and €1.7 billion, respectively, as described in note 4.3, section B6.

Cash flow inflation risk

The table below analyses the sensitivity of future cash flows for the Company's financial assets at 31 December 2013.

Poste Italiane SpA - Cash flow inflation risk

	Risk exposure		Changes in value		Pre-tax profit	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps
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)**
2012 effects						
Financial assets attributable to BancoPosta						
Available-for-sale financial instruments	2,800,000	2,998,597	197	(196)	197	(196)
Fixed-income instruments	2,800,000	2,998,597	197	(196)	197	(196)
Variability at 31 December 2012	**2,800,000**	**2,998,597**	**197**	**(196)**	**197**	**(196)**

At 31 December 2013, the risk related to unhedged inflation-linked government securities 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, 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/processes.

The framework described, based on an integrated (qualitative and quantitative) measurement model made it possible, in the meantime, to monitor risk and to manage it on an increasingly informed basis.

Information of a quantitative nature

At 31 December 2013, the risk map prepared in accordance with the above framework showed the type of operational risks BancoPosta RFC's products are exposed to, as follows:

Event type	Number of types
Internal fraud	29
External fraud	49
Employee practices and workplace safety	7
Customers, products and business practices	30
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	184
Total at 31 December 2013	**311**

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 the related attribution of responsibilities to the competent functions in order to reduce any future impact.

Since 2011 the insurers, Poste Vita SpA and Poste Assicura SpA, have 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. The most significant event regards errors in the execution of processes.

Insurance risks

Insurance risks arise with the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.).
The risks to which Poste Vita SpA is exposed primarily relate to separately managed accounts in the Branches I ad V categories sold by the company and, as is typical in the insurance business, deriving from the guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements of the measurement of the assets in which the technical provisions are invested.
In strictly technical terms, mortality is one of the main risk factors in life insurance, 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 life 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 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 death frequencies are lower than the death probabilities realistically calculated (longevity risk).
Nevertheless, at 31 December 2013, 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. As such, actual death rates are compared from time to time with those projected on the basis of the demographics adopted for pricing purposes; so far, 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 have never used the option to annuitise. As to pension products in particular, they 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.
As to pricing risk, i.e. 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 of technical basis in Poste Vita's portfolio, except for the term life insurance products discussed above.

The options embedded in the policies held in 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.
The contractually guaranteed minimum return is typically[68] 1.5% or, with reference to more recent products, 1%. In any

68. There are residual portions of the portfolio with different characteristics in terms of guaranteed minimums (a guaranteed minimum of 1% per non-consolidated event, a capital guarantee alone and a guaranteed minimum of 1% per consolidated event, with the latter two being of marginal significance).

case, the minimum return is guaranteed per non-consolidated event[69], thus showing a very low risk significance compared with the returns generated to date by the separately managed portfolios, as determined by the asset-liability management analyses performed by the company, which make it possible to manage the risks taken on by the Group on a quantitative basis, fostering a reduction of profit volatility and an optimal investment allocation.

Poste Assicura SpA, which began operating in the non-life sector in April 2010, 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 and dependent 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 risk, or the risk associated with the payment of benefits or claims for illness and/or injury. This category includes the risk that the premiums charged are not sufficient to cover the costs effectively in the management of the contract and the risks linked to 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.

Given the fact that the insurance business is at the start-up stage, and in view of the expected growth of the portfolio and the different degrees of risk associated with the products distributed, the company has adopted a highly prudent approach to reinsurance. 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 payouts in the event of certain specific types of claim.
With reference to non-life risks, the Group performs specific analyses, including 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 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. Some time ago the Company also adopted a "consulting service" model in the provision of investment services, with the aim of ensuring the suitability of any advice given to customers. In addition, in order to protect and safeguard the Group's excellent reputation

69. In case of death, surrender and expiration.

and public confidence in its operations and to protect its commercial interests from potential dissatisfaction among savers, the Parent Company closely monitors the situation throughout the Group. This aims to ensure that it can keep track of the performances of the products sold and of changes in the risks to which customers are exposed, conducting careful assessments based on the contractual nature of the products in question in terms of the match with the needs of the various customers.

This activity has been of particular importance in the last two years, given that the crisis of recent years has had profound effects on the performance of all the financial instruments on the market, raising doubts about the creditworthiness of government issuers and banks (the so-called sovereign debt crisis). In this environment, the performances of the real estate market and the products linked to it have been particularly poor, so much so that in March 2013 Assogestioni (the association that represents Italian asset management companies) proposed specific changes in legislation that would lengthen the duration of existing real estate funds in order to facilitate efficient management of the liquidation of such funds (considering the concentration of maturities in the period 2013-2015). With regard to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, Poste Italiane is, therefore, also closely monitoring market trends in order to protect its customers' interests, in addition to assessing the need for provisions in the financial statements.

6. PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

LEGAL PROCEEDINGS

In 2011, as part of a criminal investigation of third parties, the Tax Police in Rome, seized accounting and administrative documents from Postel SpA related to e-procurement transactions performed 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.

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, related 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 fiscal year 2008 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. 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, containing 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, 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. While the ruling is pending, account was taken of the likely effects of the first-instance decision in making provisions for tax and social security charges.

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. The appeals are currently pending before the Provincial Tax Tribunal of Rome. The most likely outcomes of these disputes have been taken into account in determining the 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 fiscal 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. The audit has currently been halted.

Again in 2012, Postel SpA accepted the findings of a Tax Audit Report prepared by the *Guardia di Finanza* (Tax Police) after an audit of its direct and indirect taxes related to 2003-2006, obtaining a reduction in the IRPEG and VAT penalties. The company's appeal regarding the statute of limitations for the IRAP claimed by the tax authorities is pending before the relevant tax tribunal. In this regard, the company believes that it will be able to argue its case effectively.

In 2013 Postel SpA was also subject to an audit by the tax authorities, following a request for mutual administrative assistance from the tax authorities in the Czech Republic, with the aim of identifying any transactions with third parties. No violations were found to have been committed. Finally, the tax authorities resumed a previous tax audit of the fiscal year 2008. A small fine was levied and paid in early 2014.

Finally, on 12 February 2013 the *Guardia di Finanza* (Tax Police) concluded a tax audit of SDA Express Courier SpA, initiated in 2012 and regarding direct taxes for the 2009 tax year and refuse collection taxes (*Ta.Ri.*) 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 (*Agenzia delle Entrate - Direzione Regionale del Lazio*), requesting that the investigation be closed. The Tax Office has yet to reply. It is considered unlikely that the company will incur liabilities as a result of the audit.

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 whilst awaiting judgement, plus the interest due (section B2). Poste Italiane also applied to the Commission for a refund of its costs, receiving a positive response on 22 January 2014.

AGCM (the Antitrust Authority)

On 9 January 2014, a hearing was held before the Council of State on the investigation commenced by Italy's Antitrust Authority against Poste Italiane SpA on 15 October 2009, in relation to deregulated postal services. With a decision registered on 10 January 2014, the Council of State upheld the ruling of the Lazio Regional Administrative Court which, on 4 April 2012, overturned the €39 million fine originally imposed on the Company. The investigation had been started "to determine the extent to which Poste Italiane could be deemed to have abused its dominant position in violation of art. 82 of the European Treaty", with specific reference to the Posta Time product and participation in certain tenders.

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 which, as such, must be disapplied. It also 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 has 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' argument, was registered. The Company instructed its lawyers to file an appeal before the Council of State.

On 5 November 2012 the Antitrust Authority launched an investigation of the Parent Company for unfair commercial practices, requesting also information in relation to the advertisement of a 4% gross return on the BancoPosta *Più* and BancoPosta Click accounts between December 2011 and March 2012. On 30 May 2013 the Authority announced its final ruling, concluding that BancoPosta's claims with respect to the nature and cost of the service were misleading and, as a result of BancoPosta RFC's actions mitigating the effect on customers, imposed a reduced sanction of €250 thousand, paid in July 2013. The Company appealed the ruling to the Lazio Regional Administrative Court.

On 25 July 2012 the Antitrust Authority initiated an investigation of PosteMobile SpA 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 artt. 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 is scheduled for 11 June 2014.

AGCom (the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, has 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 2014-2015, for such services as priority mail, bulk mail, registered mail, insured mail, legal process and ordinary parcel post, 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 overturn, following its suspension, the above resolution.
- Investigation concerning the "universal postal service: analysis and application of the allocation mechanism and assessment of the net cost of the service for 2011". During 2013, AGCom announced an extension of the deadline for completion of the investigation, which had commenced on 4 October 2012. Extension of the deadline is necessary to permit the regulator to complete the complex process of acquiring and checking all the relevant data and information, including visits to the premises used by the universal service provider, relating to both the model for calculating the net cost of the universal postal service, as devised by Poste Italiane, and the method used to determine such cost. With communication dated 24 December 2013, AGCom further extended the deadline for the end of the investigation, postponing completion until 31 July 2014. The timing of the investigation and the relevant resolutions by the Authority af-

fect the timing of notification to the European Commission about the level of state compensation to cover the cost of the Universal Service.
Lastly, on 13 March 2014, AGCom initiated an investigation concerning analysis and applicability of the mechanism for allocating and assessing the net cost for 2012. The procedure is scheduled for completion by 31 July 2014, unless this is postponed in order to request information and/or due to extensions by the Authority.

Bank of Italy

Work continued in 2013 on the revision and strengthening of organisational, procedural and IT controls in order to correct the weaknesses found by the general audit of BancoPosta's activities conducted by the Bank of Italy in 2012. The areas reviewed included, among others, anti-money-laundering, the transparency of contractual terms and conditions and fair trade issues. Audit findings were notified to the Company in a letter dated 18 December 2012. The Parent Company submitted its own considerations to the Bank of Italy, in reply to this letter, on 13 March 2013. This has been followed by subsequent updates.

During 2013 the Parent Company was sent 8 notices concerning alleged failures to report suspicious transactions under anti-money-laundering legislation. The Parent Company sent a defence brief to the MEF for every notification received. Overall, at 31 December 2013 there are 26 pending proceedings before the MEF, including 20 for failures to report suspicious transactions and 6 in relation to violations of the rules governing limits on the use of cash and bearer instruments.

IVASS (the insurance regulator)

On 2 April 2014 IVASS initiated an audit of Poste Vita SpA. The audit is still in progress.

CONSOB

In April 2013 the CONSOB began a general inspection pursuant to art. 10, paragraph 1 of Legislative Decree 58/1998, focusing on the procedures involved in the provision of investment services by BancoPosta. The inspection is still in progress.

7. BANCOPOSTA RFC SEPARATE REPORT at 31 December 2013

Contents

FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION at 31 December

Assets (€)		2013	2012
10.	Cash and cash equivalents	3,077,596,388	3,180,533,120
20.	Financial assets held for trading	-	-
30.	Financial assets designated at fair value	-	-
40.	Available-for-sale financial assets	24,421,114,595	22,455,968,111
50.	Held-to-maturity financial assets	15,221,161,842	14,048,067,568
60.	Due from banks	375,749,146	527,539,707
70.	Due from customers	8,356,600,222	9,886,926,550
80.	Hedging derivatives	32,087,160	12,156,652
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:	271,167,643	459,958,927
	a) current	*12,454,116*	*18,200,233*
	b) deferred	*258,713,527*	*441,758,694*
	of which Law 214/2011	-	-
140.	Non-current assets (or disposal groups) held for sale and discontinued operations	-	-
150.	Other assets	1,349,933,946	1,237,227,598
Total assets		**53,105,410,942**	**51,808,378,233**

Liabilities and Equity (€)		2013	2012
10.	Due to banks	3,484,111,217	3,483,754,328
20.	Due to customers	43,998,128,205	43,462,104,436
30.	Debt securities in issue	-	-
40.	Financial liabilities held for trading	-	-
50.	Financial liabilities designated at fair value	-	-
60.	Hedging derivatives	470,972,877	816,115,812
70.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
80.	Tax liabilities:	439,053,658	320,402,584
	a) current	*60,867,332*	*10,537,722*
	b) deferred	*378,186,326*	*309,864,862*
90.	Liabilities included in non-current assets held for sale and discontinued operations	-	-
100.	Other liabilities	1,869,346,143	1,900,576,872
110.	Employee termination benefits	18,217,384	18,847,975
120.	Provisions for risks and charges:	348,280,812	282,011,702
	a) post-employment benefit	-	-
	b) other provisions	*348,280,812*	*282,011,702*
130.	Valuation reserves	504,280,433	(74,425,476)
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	1,598,990,000	1,256,327,637
170.	Share premium reserve	-	-
180.	Share capital	-	-
190.	Treasury shares (-)	-	-
200.	Profit/(Loss) for the year (+/-)	374,030,213	342,662,363
Total liabilities and equity		**53,105,410,942**	**51,808,378,233**

INCOME STATEMENT for the year ended 31 December

Income/(Expense) (€)		2013	2012
10.	Interest and similar income	1,750,616,279	1,782,746,789
20.	Interest and similar expense	(226,845,754)	(281,742,836)
30.	**Net interest income**	**1,523,770,525**	**1,501,003,953**
40.	Fee and commission income	3,563,892,620	3,541,121,486
50.	Fee and commission expense	(45,015,441)	(43,536,667)
60.	**Net fee and commission income**	**3,518,877,179**	**3,497,584,819**
70.	Dividends and similar income	97,715	70,658
80.	Profits/(Losses) on trading	22,917,461	103,647,662
90.	Fair value adjustments in hedge accounting	1,017,928	(959,876)
100.	Profits/(Losses) on disposal or repurchase of:	286,618,120	50,398,431
	a) loans and advances	-	-
	b) available-for-sale financial assets	*285,614,408*	*50,398,431*
	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**	**5,353,298,928**	**5,151,745,647**
130.	Net losses/recoveries on impairment of:	(8,657,057)	(1,173,611)
	a) loans and advances	*(8,657,057)*	*(1,173,611)*
	b) available-for-sale financial assets	-	-
	c) held-to-maturity financial assets	-	-
	d) other financial transactions	-	-
140.	**Net income from banking activities**	**5,344,641,871**	**5,150,572,036**
150.	Administrative expenses:	(4,615,460,916)	(4,584,883,880)
	a) personnel expenses	*(88,124,611)*	*(80,420,209)*
	b) other administrative expenses	*(4,527,336,305)*	*(4,504,463,671)*
160.	Net provisions for risks and charges	(81,665,275)	(2,395,176)
170.	Net losses/recoveries on property, plant and equipment	-	-
180.	Net losses/recoveries on intangible assets	-	-
190.	Other operating income/(expenses)	(20,202,536)	(17,119,686)
200.	**Operating expenses**	**(4,717,328,727)**	**(4,604,398,742)**
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**	**627,313,144**	**546,173,294**
260.	Taxes on income from continuing operations	(253,282,931)	(203,510,931)
270.	**Income/(Loss) after tax from continuing operations**	**374,030,213**	**342,662,363**
280.	Income/(Loss) after tax from discontinued operations	-	-
290.	**Profit/(Loss) for the year**	**374,030,213**	**342,662,363**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Income/(Expense) (€)		2013	2012
10.	**Profit/(Loss) for the year**	**374,030,213**	**342,662,363**
	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	776,455	(2,551,153)
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	107,025,488	60,752,097
100.	Available-for-sale financial assets	470,903,966	2,043,871,193
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**	**578,705,909**	**2,102,072,137**
140.	**Comprehensive income (Items 10+130)**	**952,736,122**	**2,444,734,500**

STATEMENT OF CHANGES IN EQUITY

(€)	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										
Reserves	-	-	-	342,662,363	-	-	-	-	(342,662,363)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	-	
Movements during the year										
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.

(€)	At 31 December 2013									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	(Loss) Profit/ for the year	Equity
	ordinary shares	other shares		retained earnings	other (*)					
Closing balances at 31 December 2011	**-**	**-**		**-**	**1,000,000,000**	**(2,176,497,613)**	**-**	**-**	**256,327,637**	**(920,169,976)**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Opening balances at 1 January 2012	-	-	-	-	1,000,000,000	(2,176,497,613)	-	-	256,327,637	(920,169,976)
Attribution of retained earnings										
Reserves	-	-	-	256,327,637	-	-	-	-	(256,327,637)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	-	
Movements during the year										
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 2012	-	-	-	-	-	2,102,072,137	-	-	342,662,363	2,444,734,500
Equity at 31 December 2012	**-**		**-**	**256,327,637**	**1,000,000,000**	**(74,425,476)**	**-**	**-**	**342,662,363**	**1,524,564,524**

(*) This item corresponds to the BancoPosta RFC reserve.

STATEMENT OF CASH FLOWS for the year ended 31 December Indirect method

(€)		2013	2012
A.	**OPERATING ACTIVITIES**		
1.	**Cash flow from operations**	**657,757,037**	**582,158,730**
	- profit/(loss) for the year (+/-)	374,030,213	342,662,363
	- gains/(losses) on financial assets held for trading and on assets and liabilities designated at fair value (-/+)	(1,397,098)	55,512
	- gains/(losses) on hedging activities (-/+)	(1,017,928)	959,876
	- net losses/recoveries on impairment (+/-)	8,657,057	1,173,611
	- net losses/recoveries on property, plant and equipment (+/-)	-	-
	- net provisions and other expenses/income (+/-)	462,299,444	390,370,723
	- unpaid taxes and duties (+)	57,899,510	1,206,246
	- net losses/recoveries on disposal groups after tax (+/-)	-	-
	- other adjustments (+/-)	(242,714,161)	(154,269,601)
2.	**Cash flow from/(used for) financial assets**	**330,937,385**	**(6,401,425,571)**
	- financial assets held for trading	-	-
	- financial assets designated at fair value	-	-
	- available-for-sale financial assets	(1,250,108,523)	(5,691,071,680)
	- due from banks: on demand	1,358,543	78,875,173
	- due from banks: other	150,168,392	(7,065,888)
	- due from customers	1,542,225,322	(336,054,024)
	- other assets	(112,706,349)	(446,109,152)
3.	**Cash flow from/(used for) financial liabilities**	**91,022,928**	**6,182,593,135**
	- due to banks: on demand	(160,900,150)	69,127,752
	- due to banks: other	161,257,038	1,042,919,993
	- due to customers	536,023,769	5,011,907,201
	- debt securities in issue	-	-
	- financial liabilities held for trading	-	-
	- financial liabilities designated at fair value	-	-
	- other liabilities	(445,357,729)	58,638,189
Net cash flow from/(used for) operating activities		**1,079,717,350**	**363,326,294**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**2,680,642,082**	**520,000,000**
	- disposal of investments	-	-
	- dividends received on investments	-	-
	- disposal of held-to-maturity financial assets	2,680,642,082	520,000,000
	- disposal of property, plant and equipment	-	-
	- disposal of intangible assets	-	-
	- disposal of business division	-	-
2.	**Cash flow used for**	**(3,863,296,164)**	**(199,673,897)**
	- acquisition of investments	-	-
	- acquisition of held-to-maturity financial assets	(3,863,296,164)	(199,673,897)
	- acquisition of property, plant and equipment	-	-
	- acquisition of intangible assets	-	-
	- acquisition of business division	-	-
Net cash flow from/(used for) investing activities		**(1,182,654,082)**	**320,326,103**
C.	**FINANCING ACTIVITIES**		
	- issuance/purchase of own shares	-	-
	- issuance/purchase of equity instruments	-	-
	- dividends and other payments	-	-
Net cash flow from/(used for) financing activities		**-**	**-**
NET CASH FLOW GENERATED/(USED) DURING THE YEAR		**(102,936,732)**	**683,652,397**

KEY:
(+) from
(-) used for

RECONCILIATION
for the year ended 31 December

Item (€)	2013	2012
Cash and cash equivalents at beginning of the year	3,180,533,120	2,496,880,723
Net cash flow generated/(used) during the year	(102,936,732)	683,652,397
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at end of the year	**3,077,596,388**	**3,180,533,120**

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 26 March 2014, 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 2013

The following amendments, interpretations and revisions are applicable from 1 January 2013:

- **IAS 19** - *Employee Benefits*, as amended by Commission Regulation (EC) 475/2012. The amendment has eliminated the "corridor approach" and the option to recognise actuarial gains and losses in profit or loss thus requiring actuarial gains and losses to be fully recognised exclusively and immediately in equity. The amendment has no effect on BancoPosta RFC's Separate Report as its accounting policy on the establishment of BancoPosta RFC on 2 May 2011 already provided for the full and immediate recognition of actuarial gains and losses in equity. The standard also requires a series of disclosures to be provided in the notes with respect to defined benefit plans, specifically including: an analysis of the sensitivity of defined benefit plans, almost entirely consisting of employee termination benefits, to changes in the principal actuarial assumptions, a breakdown of actuarial gains and losses showing the extent to which their underlying assumptions are demographic or financial in nature, and an indication of the principal actuarial assumptions used to determine the liabilities.
- **IFRS 13** - *Fair Value Measurement*, adopted by EU Regulation 1255/2012. The standard has introduced a single framework for the fair value measurement of both financial and non-financial assets and liabilities. In particular, the new standard sets out a clear and detailed definition of "fair value" and contains guidance on the methods and techniques of its measurement. With a view to increasing consistency and comparability, it also clarifies the method of classifying assets and liabilities measured at fair value within a fair value hierarchy, as already provided by IFRS 7, based on the nature of the input used by the valuation techniques.
- **IFRIC 20** - *Stripping Costs in the Production Phase of a Surface Mine*, adopted by EU Regulation 1255/2012. The interpretation is not applicable to BancoPosta RFC's operations.
- **IAS 12** -*Income Taxes - Deferred Tax: Recovery of Underlying Assets*, amendments adopted by EU Regulation 1255/2012 for retroactive application from 1 January 2012. The amendments particularly relate to the deferred taxation of real estate investments recognised at fair value in compliance with IAS 40. BancoPosta RFC has no real estate investments.
- **IFRS 1** - *First-time Adoption of International Financial Reporting Standards*, as amended by EU Regulations 1255/2012 and 183/2013. BancoPosta RFC adopted the IAS/IFRS framework for the first time in 2011.
- **IFRS 7** - *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, amended by EU Regulation 1256/2012. The amendments provide for additional information allowing financial statement users to better assess the actual and potential effects of offsetting arrangements on an entity's equity and finances. The amendment relates to all financial instruments for which offsetting is permitted in accordance with paragraph 42 of IAS 32, a netting

agreement, or similar (e.g., derivatives offsetting agreements or repurchase transactions in accordance with international standards under global master repurchase agreements, etc.), regardless of whether the financial instruments themselves are eligible for offsetting in accordance with paragraph 42 of IAS 32.
- **2009-2011 annual improvements cycle**, as adopted by EU Regulation 301/2013. The Regulation entailed improvements to IAS 1, 16, 32, 34 and IFRS 1, eliminating certain inconsistencies in order to clarify terminology.

Furthermore, EU Regulation 1256/2012 of 29 December 2012, which included the adoption of the amendment to IFRS 7 - *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, provides for the retroactive deletion of paragraph 13 - *Derecognition*, effective as of 1 July 2011.

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
1254/2012	IFRS 10 - *Consolidated Financial Statements* IFRS 11 - *Joint Arrangements* IFRS 12 - *Disclosures of Interests in Other Entities* IAS 27 - *Separate Financial Statements* IAS 28 - *Investments in Associates and Joint Ventures*	1 Jan 2014 Periods beginning on or after 1 Jan 2014
1256/2012	Amendments to IAS 32 - *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*	1 Jan 2014 Periods beginning on or after 1 Jan 2014
1174/2013	Amendments to IFRS 10, 12 and IAS 27 - *Investment Entities*	1 Jan 2014 Periods beginning on or after 1 Jan 2014
1374/2013	Amendments to IAS 36 - *Impairment of Assets*	1 Jan 2014 Periods beginning on or after 1 Jan 2014
1375/2013	Amendments to IAS 39 - *Financial Instruments*: *Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*	1 Jan 2014 Periods beginning on or after 1 Jan 2014

New accounting standards not yet endorsed

Standard/ Interpretation	Amendments	Issue date(*)
IFRS 14	Regulatory Deferral Accounts	30 Jan 2014
IFRS 2, 3, 8,13		
IAS 16, 24, 38	Improvement to IFRSs (2010-2012 cycle)	12 Dec 2013
IFRS 1, 3, 13 - IAS 40	Improvement to IFRSs (2011-2013 cycle)	12 Dec 2013
IFRS 5, 7 - IAS 19, 34	Improvement to IFRSs (2012-2014 cycle)	11 Dec 2013
IAS 27	Separate financial statements	2 Dec 2013
IAS 19	Employee benefits	21 Nov 2013
IFRS 9	Financial instruments: hedge accounting	19 Nov 2013
IFRS 4	Insurance contracts	20 Jun 2013
IFRIC 21	Levies charged by public authorities on entities that operate in a specific market	20 May 2013
IFRS 9	Financial instruments: expected credit losses	7 Mar 2013
IFRS 11	Joint arrangements - acquisition of an interest in a joint operation	13 Dec 2012
IFRS 10 - IAS 28	Sales or contributions of assets between an investor and its associate/joint venture	13 Dec 2012
IAS 16, 38	Clarification of acceptable methods of depreciation and amortisation	4 Dec 2012
IFRS 9	Financial instruments: classification and measurement	28 Nov 2012
IAS 28	Equity method: Share of other net asset changes	22 Nov 2012
IFRS 8	Operating segments	19 Jul 2012
IAS 11, 18	Revenue from contracts with customers	14 Nov 2011
IFRS 9	Financial instruments: amortised cost and impairment	31 Jan 2011
IAS 17	Leases	30 Jul 2010
IFRS 9 - IAS 39	Financial instruments: fair value option for financial liabilities	11 May 2010
IAS 37	Measurement of non-financial liabilities	5 Jan 2010
-	Discussion Paper Conceptual Framework	18 Jul 2013
-	Put options issued by parent companies to non-controlling shareholders	31 May 2012

(*) Publication date of most recent exposure draft.

The potential impact on the BancoPosta RFC's Separate Report by 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, where applicable, also been prepared in application of Bank of Italy Circular 262 of 22 December 2005 - *Banks' Financial Statements: Layouts and Preparation*, as amended. Art. 2447-*septies*, paragraph 2, of the Italian Civil Code has also been applied for the year ended 31 December 2013. The statements are presented in euros. The Report 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[70]. All figures in the notes are stated in thousands of euro. Notes and account analysis have not been included for nil balances.

70. 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.

Certain reclassifications have been made in the notes to assure the consistency of comparatives with the figures for 2013.

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 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.

At the date of approval of this Separate Report, there were no similar cases in the market, generally accepted practices or specific instructions providing guidance for the interpretation and application of Bank of Italy Circular 262/2005 - *Banks' Financial Statements: Layouts and Preparation*[71]. The Separate Report has consequently been prepared by interpreting applicable legislation and relevant best practice. Any future revisions to guidance and interpretations will be incorporated to the extent consistent with accounting standards and/or regulation as in force from time to time.

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 2013.

71. The prudential Supervisory Instructions for BancoPosta are currently the subject of a public consultation on the Bank of Italy's website.

Section 4 – Other information

4.1 Intersegment transactions

At 31 December 2013 balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions"[72]) are recognised in the statement of financial position as shown below:

(€)	At 31 December 2013	of which intersegment	At 31 December 2012	of which intersegment
Assets				
10. Cash and cash equivalents	3,077,596,388	-	3,180,533,120	-
40. Available-for-sale financial assets	24,421,114,595	-	22,455,968,111	-
50. Held-to-maturity financial assets	15,221,161,842	-	14,048,067,568	-
60. Due from banks	375,749,146	-	527,539,707	-
70. Due from customers	8,356,600,222	382,726,886	9,886,926,550	246,430,909
80. Hedging derivatives	32,087,160	-	12,156,652	-
130. Tax assets	271,167,643	-	459,958,927	-
150. Other assets	1,349,933,946	-	1,237,227,598	-
A Total assets	**53,105,410,942**	**382,726,886**	**51,808,378,233**	**246,430,909**
Liabilities and equity				
10. Due to banks	3,484,111,217	-	3,483,754,328	-
20. Due to customers	43,998,128,205	155,277,182	43,462,104,436	119,445,875
60. Hedging derivatives	470,972,877	-	816,115,812	-
80. Tax liabilities	439,053,658	-	320,402,584	-
100. Other liabilities	1,869,346,143	380,015,724	1,900,576,872	389,714,527
110. Employee termination benefits	18,217,384	-	18,847,975	-
120. Provisions for risks and charges	348,280,812	-	282,011,702	-
130. Valuation reserves	504,280,433	-	(74,425,476)	-
160. Reserves	1,598,990,000	-	1,256,327,637	-
200. Profit/(Loss) for the year (+/-)	374,030,213	-	342,662,363	-
B Total liabilities and equity	**53,105,410,942**	**535,292,906**	**51,808,378,233**	**509,160,402**
A-B Net intersegment balances		**(152,566,020)**		**(262,729,493)**

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 to BancoPosta by transfer pricing as 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.

72. Detailed information is contained in note 4.2 - *Information on BancoPosta RFC.*

4.2 Relations with the authorities

AGCM (The Antitrust Authority)

On 5 November 2012 the Antitrust Authority launched an investigation of Poste Italiane SpA for unfair commercial practices by BancoPosta RFC, requesting also information in relation to the advertisement of a 4% gross return on BancoPostaPiù and BancoPosta Click accounts between December 2011 and March 2012. On 30 May 2013 the Authority announced its final ruling, concluding that BancoPosta's claims with respect to the nature and cost of the service were misleading and, as a result of BancoPosta RFC's actions mitigating the effect on customers, imposed a reduced sanction of €250 thousand. This was paid in July 2013. Poste Italiane SpA has appealed the ruling to the Lazio Regional Administrative Court.

Bank of Italy

Work continued in 2013 on the revision and strengthening of organisational, procedural and IT controls in order to correct the weaknesses found by the general audit of BancoPosta's activities conducted by the Bank of Italy in 2012. The areas reviewed included, among others, anti-money-laundering, the transparency of contractual terms and conditions and fair trade issues. Audit findings were notified to the Parent Company in a letter dated 18 December 2012. BancoPosta RFC submitted its own considerations to the Bank of Italy, in reply to this letter, on 13 March 2013. This has been followed by subsequent updates.

During 2013 Poste Italiane SpA, in relation to BancoPosta RFC's activities, was sent 8 notices concerning alleged failures to report suspicious transactions under anti-money-laundering legislation. BancoPosta RFC sent a defence brief to the MEF for every notification received. Over all, at 31 December 2013, there are 26 pending proceedings before the MEF, including 20 for failures to report suspicious transactions and 6 in relation to violations of the rules governing limits on the use of cash and bearer instruments.

CONSOB

In April 2013 the CONSOB began a general inspection pursuant to art. 10, paragraph 1, Legislative Decree 58/1998, focusing on the procedures involved in the provision of investment services by BancoPosta. The inspection is still in progress.

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 specifically allocated to this category or which cannot be classified into any other category described in paragraphs 1, 3 and 4.

c) recognition and measurement

Available-for-sale financial assets are recognised at fair value through equity. Gains and losses are only recognised in profit or loss when the assets are actually sold, extinguished or when it is determined that cumulative losses, previously recognised in equity, will not be recovered in the future. If, only for debt securities, fair value subsequently increases as a result of an occurrence subsequent to the recognition of an impairment in profit or loss, fair value is reinstated, also through profit or loss. Income arising on debt securities through the application of the amortised cost method[73] is recognised in profit or loss similar to the accounting treatment of foreign exchange gains and losses, whereas foreign exchange gains and losses on available-for-sale equity instruments are recognised in a separate equity reserve.

d) derecognition

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.

73. 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 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.

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 instruments with payments that are fixed or can be determined and with fixed maturities which BancoPosta RFC has the intention and ability to hold until maturity.

c) measurement and recognition of gains and losses

Held-to-maturity financial assets are measured at amortised cost using the effective interest 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 is 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 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

Derivative instruments are recognised on the contract date at fair value. If they qualify for hedge accounting, any subsequent movements in fair value are recognised in accordance with the accounting treatment described below. The relationship between the hedged exposure together with the risk management objective, hedging strategy and methods for determining effectiveness are documented for each derivative financial instrument qualifying for hedge accounting. The verification of a hedge's effectiveness is made on the acquisition of the derivative instruments, as well as during their term.

- Fair value hedge[74]

Changes in the fair value of fair value hedges of recognised assets and liabilities or off-balance sheet irrevocable commitments are recognised in profit or loss together with the changes in carrying amount of the hedged asset, liability or the off-balance sheet irrevocable commitment. If the hedge is not highly effective or variations between the hedged asset or liability and the hedge are not fully offset, the ineffective portion is a loss or gain which is separately recognised in line "item 90 - Fair value adjustments in hedge accounting".

- Cash flow hedge[75]

Movements, subsequent to initial recognition, in the fair value of the derivative instrument serving as a cash flow hedge are, for only the effective portion, recognised in a separate 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, movements in the expected future cash flows of the hedged item are substantially offset by movements in the fair value of the hedging instrument. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as, the forward 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 above transaction, will affect profit or loss (as, for example, an adjustment to the return on the security).

Movements in the fair value of the ineffective portion of hedges are immediately recognised in profit or loss for the relevant year in line "item 90 - Fair value adjustments in hedge accounting". If, during the term of a derivative, the realisation of the originally projected cash flows is no longer considered to be highly probable, the portion of the cash flow reserve attributable to that instrument is immediately taken to profit or loss in line "item 80 - Profits/(Losses) on trading", for the relevant year. Inversely, if the derivative is sold or no longer qualifies as an effective hedge, the accumulated balance on the cash flow hedge reserve is taken to profit or loss in the manner described on the disposal of the derivative or from the date it ceased to qualify for hedge accounting.

74. 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.
75. 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.

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 rare cases, where disclosure of some or all of the information regarding the risks in question can be expected to prejudice seriously 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 Due to 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 Due to customers are measured at amortised cost employing the effective interest 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 services provided on behalf of or to the government are recognised at the amount actually payable pursuant to statute or contract and are at all times consistent with Public Finance requirements.

Related parties

Related parties within the Poste Italiane Group are the Poste Italiane functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group regard the MEF and the 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, which are foreseen to be paid to the employee in consideration of his or her employment services provided over the relevant period, is required to be 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, cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19.

Payments into defined contribution plans are recognised in profit or loss when they are made in accordance with statutory requirements.

- **Defined benefit plans**

  Defined benefit plans include employee termination benefits payable to employees in accordance with art. 2120 of the Italian Civil Code. Benefits vesting up to 31 December 2006[76], 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. BancoPosta RFC's obligations to employees under defined benefit plans are, consequently, the staff termination benefit obligation at 31 December 2006.

76. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested staff 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 staff termination benefits have been paid into a supplementary pension fund.

A projection of the obligation is made to compute the amount likely to be paid on the cessation of employment, and is then discounted to present value to take account of the time value of money using the projected unit credit method. The measurement of the liability for disclosure is based on a report by external actuaries. The computation is based on vested employee termination benefits for past employment and actuarial assumptions primarily with respect to: demographic factors, such as staff turnover and mortality rates, and financial factors, such as the rate of inflation and discount rates over the period of time appropriate for the obligation. Due to the fact that BancoPosta RFC has no obligation with respect to employee termination benefits vesting subsequent to 31 December 2006, future movements in salaries are irrelevant. Actuarial gains and losses at each reporting date arising from the difference between the carrying amount of the liability and the present value of BancoPosta RFC's obligations are recognised directly in equity.

• **Defined contribution plans**

Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contributions 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

Other long-term employment benefits are those not payable within twelve months of the end of the year in which the employee provided services. The measurement of other long-term employment benefits is not normally subject to the same degree of uncertainty as post-employment benefits so that IAS 19 provides for certain simplifications in their accounting treatment: the net change in the value of all components of the liability during the year is fully recognised in profit or loss. The recognition and measurement of the liability for other long-term employment benefits is based on a report by external actuaries.

Classification of costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane 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 in line "item 150 b) - Other administrative expenses".

Use of estimates

Preparation of the Separate Report requires management to apply accounting standards and methods that are at times based on complex judgements and estimates, linked to historical experience, and assumptions that are considered reasonable and realistic under the related circumstances. Use of these estimates and assumptions influences 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 which characterise the assumptions and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes reflected in the financial statements for the period in which the estimated is revised, if the revision only influences the current period, or also in future periods, if the revision influences the current and future periods.

This section provides a description of accounting treatments that, more than others, require 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 any related credit risk. Further details on the techniques used to measure the fair value of unquoted financial instruments are contained in section A.4.

• 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

In compliance with IFRS 13 - *Fair Value Measurement,* as adopted by EU Regulation 1255/2012 of 11 December 2012, the valuation techniques used by BancoPosta RFC are described below.
Assets and liabilities carried at fair value, or those 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, these include the following types of financial instruments:

- Bonds quoted in active markets:
  - Bonds issued by the Italian government: valuation is based on prices as 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. The nature of BancoPosta RFC's operations means that the observable data used as input for the determination of the fair value of separate 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.
For BancoPosta RFC 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: 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 asset swap spreads, as determined with reference to quoted and liquid benchmark securities. Yield curves may be slightly adjusted to take liquidity risk into account as would be typical for an inactive market.

- 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 price differentials of Class B and C ordinary shares from listed Class A ordinary shares.

- Derivative financial instruments:
  - Interest Rate Swaps:
    - 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 made using capital market techniques.
    - 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 measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Us-

ing 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 the counterparty's credit risk. The yield curve to be used to compute present value should be selected to be consistent with the manner in which cash collateral is remunerated. This approach may also be used for security in the form of pledged debt securities, given the limited level of credit risk inherent in the collateralised securities.

- Financial liabilities either quoted on inactive markets or not at all:
  - 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's 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 input (IFRS 13, paragraph 93(h)).

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

	At 31 December 2013			At 31 December 2012		
Financial assets/(liabilities) at fair value	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	24,254,626	166,372	117	22,426,616	29,235	117
4. Hedging derivatives	-	32,087	-	-	12,157	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**24,254,626**	**198,459**	**117**	**22,426,616**	**41,392**	**117**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	470,973	-	-	816,116	-
Total	**-**	**470,973**	**-**	**-**	**816,116**	**-**

(*) Notes on the position provided in section 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

	Balance at 31 December 2013				Balance at 31 December 2012			
	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	15,221,162	16,013,783	-	-	14,048,068	14,515,849	-	-
2. Due from banks	375,749	-	-	375,749	527,540	-	-	527,540
3. Due from customers	8,356,600	-	-	8,356,600	9,886,927	-	-	9,886,927
4. Property plant and equipment held for investment purposes	-	-	-	-	-	-	-	
5. Non-current assets (or disposal groups) held for sale	-	-	-	-	-	-	-	
Total	**23,953,511**	**16,013,783**	**-**	**8,732,349**	**24,462,535**	**14,515,849**	**-**	**10,414,467**
1. Due to banks	3,484,111	-	3,208,359	290,577	3,483,754	-	3,073,690	440,390
2. Due to customers	43,998,128	-	1,735,153	42,268,272	43,462,104	-	2,535,904	40,938,562
3. Debt securities in issue	-	-	-	-	-	-	-	-
4. Liabilities included in non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**47,482,239**	**-**	**4,943,512**	**42,558,849**	**46,945,858**	**-**	**5,609,594**	**41,378,952**

A.5 – Information on “day one profit/loss”

Not applicable.

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 2013	Balance at 31 December 2012
a) Cash	2,604,282	2,487,263
b) Central bank deposits	473,314	693,270
Total	**3,077,596**	**3,180,533**

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 post office 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 €5,798 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 2013 or 31 December 2012. 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	**1,456,015**	**21**	**-**	**-**	**1,456,036**
B.1 Purchases	1,455,789	21	-	-	1,455,810
B.2 Increases in fair value	-	-	-	-	-
B.3 Other increases	226	-	-	-	226
C. Decreases	**(1,456,015)**	**(21)**	**-**	**-**	**(1,456,036)**
C.1 Disposals	(1,456,015)	(21)	-	-	(1,456,036)
C.2 Repayments	-	-	-	-	-
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. Profits or losses on such transactions are reported in Part C, Table 4.1. BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers.

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

	Balance at 31 December 2013			Balance at 31 December 2012		
Asset/Amounts	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**24,254,626**	**119,077**	**-**	**22,426,616**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	24,254,626	119,077	-	22,426,616	-	-
2. Equity instruments	**-**	**47,295**	**117**	**-**	**29,235**	**117**
2.1 At fair value	-	47,295	-	-	29,235	-
2.2 At cost	-	-	117	-	-	117
3. UCIs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**24,254,626**	**166,372**	**117**	**22,426,616**	**29,235**	**117**

Debt securities carried at fair value total €24,373,703 thousand (€274,435 thousand of which being accrued interest). Securities with a nominal value of €139,000 thousand and a fair value of €147,697 thousand held at 31 December 2013 may not be sold as they are held by counterparties under the terms of repurchase agreements entered into through 31 December 2013.

Equity instruments comprise:
- €45,586 thousand relating to the fair value of 75,628 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;
- €1,709 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

Asset/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Debt securities	**24,373,703**	**22,426,616**
a) Governments and Central Banks	24,373,703	22,426,616
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	**47,412**	**29,352**
a) Banks	-	-
b) Other issuers:	47,412	29,352
- insurance companies	-	-
- finance companies	47,412	29,352
- non-finance companies	-	-
- other	-	-
3. UCIs	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**24,421,115**	**22,455,968**

4.3 Micro-hedged available-for-sale financial assets

Asset/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Micro-fair value hedged financial assets	**4,126,971**	**3,769,900**
a) Rate risk	4,126,971	3,769,900
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Micro-cash flow hedged financial assets	**2,414,929**	**2,752,086**
a) Rate risk	2,414,929	2,752,086
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**6,541,900**	**6,521,986**

4.4 Available-for-sale financial assets: movements during the year

	Debt securities	Equity instruments	UCIs	Loans	Total
A. Opening balance	**22,426,616**	**29,352**	**-**	**-**	**22,455,968**
B. Increases	**7,447,950**	**18,060**	**-**	**-**	**7,466,010**
B.1 Purchases	6,675,519	-	-	-	6,675,519
B.2 Increases in fair value	645,432	18,060	-	-	663,492
B.3 Recoveries	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- through equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other increases	126,999	-	-	-	126,999
C. Decreases	**(5,500,863)**	**-**	**-**	**-**	**(5,500,863)**
C.1 Disposals	(5,025,411)	-	-	-	(5,025,411)
C.2 Repayments	(400,000)	-	-	-	(400,000)
C.3 Decreases in fair value	(5,721)	-	-	-	(5,721)
C.4 Impairments	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- through equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other decreases	(69,731)	-	-	-	(69,731)
D. Closing balance	**24,373,703**	**47,412**	**-**	**-**	**24,421,115**

There was a net increase of €639,711 thousand in the fair value of debt securities, for which a fair value hedge was not arranged, during the period under review, €876,402 thousand of which was recognised in a separate equity reserve, whereas a €236,691 thousand loss on the hedged portion was recognised in 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 2013				Balance at 31 December 2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	**15,221,162**	**16,013,783**	**-**	**-**	**14,048,068**	**14,515,849**	**-**	**-**
- structured	-	-	-	-	-	-	-	-
- other	15,221,162	16,013,783	-	-	14,048,068	14,515,849	-	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At 31 December 2013, €227,513 thousand of the aggregate fair value of the held-to-maturity portfolio was accrued interest.

Securities with a nominal value of €5,196,801 thousand are encumbered as follows:
- €5,090,003 thousand carried at an amortised cost of €5,153,399 (Part E, Section 1 – Credit Risk, Table C.2.1) were delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2013;
- €106,798 thousand carried at an amortised cost of €108,683 thousand (Part B, Other information, Table 2) were delivered to counterparties for use as collateral for asset swaps.

5.2 Held-to-maturity financial assets: by borrower/issuer

Transaction type/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Debt securities	**15,221,162**	**14,048,068**
a) Governments and Central Banks	15,221,162	14,048,068
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	**15,221,162**	**14,048,068**

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	**14,048,068**	**-**	**14,048,068**
B. Increases	**3,912,339**	**-**	**3,912,339**
B.1 Purchases	3,863,296	-	3,863,296
B.2 Recoveries	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other increases	49,043	-	49,043
C. Decreases	**(2,739,245)**	**-**	**(2,739,245)**
C.1 Disposals	(661,542)	-	(661,542)
C.2 Repayments	(2,019,100)	-	(2,019,100)
C.3 Impairment	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other decreases	(58,603)	-	(58,603)
D. Closing balance	**15,221,162**	**-**	**15,221,162**

Section 6 – Due from banks – Item 60

6.1 Due from banks: analysis

Transaction type/Amounts	Balance at 31 December 2013				Balance at 31 December 2012			
	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**				**24**			
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	24	x	x	x
B. Due from banks	**375,720**				**527,516**			
1. Loans	375,720				527,516			
1.1 Current accounts and demand deposits	339,360	x	x	x	464,179	x	x	x
1.2 Time deposits	-	x	x	x	-	x	x	x
1.3 Other loans:	36,360	x	x	x	63,337	x	x	x
- Reverse repurchase agreements	-	x	x	x	-	x	x	x
- Finance leases	-	x	x	x	-	x	x	x
- Other	36,360	x	x	x	63,337	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	**375,749**	**-**	**-**	**375,749**	**527,540**	**-**	**-**	**527,540**

Time deposits relate to cash collateral held by counterparties for asset swaps (€326,635 thousand pursuant to Credit Support Annexes) entered into as part of cash flow and fair value hedges, as well as reverse repos (€1,420 thousand in collateral required by Global Master Repurchase Agreements).

Section 7 – Due from customers – Item 70

7.1 Due from customers: analysis

Transaction type/Amounts	Balance at 31 December 2013						Balance at 31 December 2012					
	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	**8,356,600**	**-**	**-**				**9,886,927**	**-**	**-**			
1. Current accounts	25,002	-	-	x	x	x	18,773	-	-	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	8,331,598	-	-	x	x	x	9,868,154	-	-	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	**8,356,600**	**-**	**-**	**-**	**-**	**8,356,600**	**9,886,927**	**-**	**-**	**-**	**-**	**9,886,927**

"Other transactions" primarily consist of:

- €5,227,047 thousand, €149,021 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;
- €530,758 thousand, €1,344 thousand of which being accrued interest, in deposits at the MEF (the Buffer account), which is remunerated at the Main Refinancing Operations (MRO) rate[77];
- a deposit of €1,008,096 thousand at the Italian Treasury which was the net of the following:
  - net advances of €1,192,870 thousand being deposits received and any excess liquidity, less advances from the MEF to meet cash requirements;
  - net postal savings of €7,416 thousand, being the balance of deposits less withdrawals during the last two days of the year and cleared early in the following year. The balance at 31 December 2013 consists of €56,024 thousand payable to Cassa Depositi e Prestiti, less €63,440 thousand receivable from the MEF for interest-bearing postal savings certificates issued on its behalf;
  - payables in connection with thefts of €158,329 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 €33,861 thousand for operational risks, relating to advances from the MEF for transactions for which there were insufficient funds;
- €893,418 thousand in fees and commissions receivable from Cassa Depositi e Prestiti during the year in connection with postal savings and fully paid in January 2014;
- €382,727 thousand in amounts receivable from Poste Italiane functions outside the ring-fence, €382,023 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

	Balance at 31 December 2013			Balance at 31 December 2012		
	Performing	Non-performing		Performing	Non-performing	
Transaction type/Amounts		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:	**8,356,600**	**-**	**-**	**9,886,927**	**-**	**-**
a) Governments	6,831,959	-	-	8,456,666	-	-
b) Other public entities	95,563	-	-	85,335	-	-
c) Other entities	1,429,078	-	-	1,344,926	-	-
- non-finance companies	390,230	-	-	255,887	-	-
- finance companies	935,157	-	-	1,004,641	-	-
- insurance companies	91,388	-	-	66,882	-	-
- other	12,303	-	-	17,516	-	-
Total	**8,356,600**	**-**	**-**	**9,886,927**	**-**	**-**

77. 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.

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives by type of hedge and level

	Fair value at 31 December 2013			Notional amount(*) at 31 Dec 2013	Fair value at 31 December 2012			Notional amount(*) at 31 Dec 2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**32,087**	**-**	**600,000**	**-**	**12,157**	**-**	**801,149**
1) Fair value	-	396	-	200,000	-	-	-	-
2) Cash flow	-	31,691	-	400,000	-	12,157	-	801,149
3) Net foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**32,087**	**-**	**600,000**	**-**	**12,157**	**-**	**801,149**

(*) The settlement price of derivatives with exchange of principal (securities or other assets) is given below, as required by Bank of Italy Circular 262/2005.

8.2 Hedging derivatives by hedged portfolio and type of hedge

Transaction type/Type of hedge	Fair value Micro interest rate risk	Fair value Micro foreign exchange risk	Fair value Micro credit risk	Fair value Micro price risk	Fair value Micro multiple risk	Fair value Macro	Cash flow Micro	Cash flow Macro	Net foreign investment
1. Available-for-sale financial assets	396	-	-	-	-	x	31,691	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	**396**	**-**	**-**	**-**	**-**	**-**	**31,691**	**-**	**-**
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 had 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 Dec 2013			Current taxes for the year ended 31 Dec 2012		
	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total	IRES Assets/(Liabilities)	IRAP Assets/(Liabilities)	Total
Opening balance	**18,200**	**(10,538)**	**7,662**	**(6,515)**	**(2,569)**	**(9,084)**
Payments of	100,991	100,863	201,854	118,706	77,190	195,896
prepayments for the current year	100,991	85,927	186,918	112,192	73,605	185,797
balance payable for previous year	-	14,936	14,936	6,514	3,585	10,099
Provisions to profit or loss for	(168,679)	(97,422)	(266,101)	(123,921)	(85,159)	(209,080)
current tax expense	(169,228)	(97,062)	(266,290)	(123,922)	(87,349)	(211,271)
adjustments to prior period taxes	549	(360)	189	1	2,190	2,191
Refund of IRES for previous years following change in legislation	-	-	-	12,454	-	12,454
Provisions to equity	(295)	-	(295)	968	-	968
Other(*)	8,466	-	8,466	16,508	-	16,508
Closing balance	**(41,317)**	**(7,097)**	**(48,414)**	**18,200**	**(10,538)**	**7,662**
of which:						
Current tax assets	12,454	-	12,454	18,200	-	18,200
Current tax liabilities	(53,771)	(7,097)	(60,868)	-	(10,538)	(10,538)

(*) 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		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	87	-	-	-	26,015	-	50,589	8,236	76,691	8,236
Deferred tax assets through equity	208,274	34,612	97,708	16,238	-	-	-	-	305,982	50,850
2012 total	**208,361**	**34,612**	**97,708**	**16,238**	**26,015**	**-**	**50,589**	**8,236-**	**382,673**	**59,086**
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	88	-	-	-	88	-
Deferred tax liabilities through equity	218,673	36,275	47,015	7,814-	265,688	44,089
2012 total	**218,761**	**36,275**	**47,015**	**7,814**	**265,776**	**44,089**
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 2013	Balance at 31 December 2012
1. Opening balance	**84,927**	**91,901**
2. Increases	**18,763**	**1,219**
2.1 Deferred tax assets recognised in the year	18,763	1,219
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	18,763	1,219
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(6,033)**	**(8,193)**
3.1 Deferred tax assets derecognised in the year	(5,915)	(7,905)
a) reversals	(5,915)	(7,905)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction of tax rate	(118)	(288)
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	**97,657**	**84,927**

13.4 Movements in deferred tax liabilities through profit or loss

	Balance at 31 December 2013	Balance at 31 December 2012
1. Opening balance	**(88)**	**(176)**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the 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**	**88**
3.1 Deferred tax liabilities derecognised in the year	88	88
a) reversals	88	88
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction of tax rate	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**(88)**

13.5 Movements in deferred tax assets through equity

	Balance at 31 December 2013	Balance at 31 December 2012
1. Opening balance	**356,831**	**1,089,042**
2. Increases	**18,451**	**20,713**
2.1 Deferred tax assets derecognised in the year	18,451	20,713
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	18,451	20,713
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(214,225)**	**(752,924)**
3.1 Deferred tax assets derecognised in the year	(213,994)	(751,247)
a) reversals	(26,951)	(18,721)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(187,043)	(732,526)
3.2 Reduction of tax rate	(231)	(1,677)
3.3 Other decreases	-	-
4. Closing balance	**161,057**	**356,831**

13.6 Movements in deferred tax liabilities through equity

	Balance at 31 December 2013	Balance at 31 December 2012
1. Opening balance	**(309,777)**	**(43,767)**
2. Increases	**(163,998)**	**(296,927)**
2.1 Deferred tax liabilities recognised in the year	(163,998)	(296,927)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(163,998)	(296,927)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**95,589**	**30,917**
3.1 Deferred tax liabilities derecognised in the year	95,247	30,778
a) reversals	88,222	30,112
b) due to changes in accounting policies	-	-
c) other	7,025	666
3.2 Reduction of tax rate	342	139
3.3 Other decreases	-	-
4. Closing balance	**(378,186)**	**(309,777)**

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 were no disposal groups/discontinued operations at the reporting date.

Section 15 – Other assets – Item 150

15.1 Other assets: analysis

Asset/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
Tax assets other than those included in item 130	339,916	233,937
Current account cheques being settled, drawn on other banks	71,423	143,797
Items in process	363,483	437,778
- items in transit between local branches	11,602	21,033
- other	351,881	416,745
Other items	575,112	421,716
Total	**1,349,934**	**1,237,228**

Tax receivables primarily relate to tax payments on account, €268,741 thousand of which for virtual stamp duty payable in 2014, €48,570 thousand for withholding tax on interest paid to current account holders for 2013, and €22,600 thousand for substitute tax on assets under management.

"Items in process, other" include:
- €168,111 thousand to be debited to customer accounts for post office and bank ATM withdrawals and trade POS;
- customer postal cheques of €103,388 thousand in collection from banks;
- unsettled ATM payments made at post offices of €18,646 thousand;
- amounts due from commercial partners, totalling €18,099 thousand for the collection of Postepay top-ups (prepayments);
- account maintenance and custody fees of €17,828 thousand to be debited to customers.

"Other items" include:
- €355,022 thousand in stamp duty accrued to 31 December 2013 payable by holders of outstanding interest-bearing postal savings certificates[78]. An equal amount has been recognised in "Other liabilities" as tax payables (Part B, Table 10.1) until expiration or early extinguishment of interest-bearing postal savings certificates, which is the date on which the tax must be paid to the authorities;
- €162,625 thousand in stamp duty attributable to the holders of postal savings books that BancoPosta RFC collects virtually, as required by law;
- amounts in the process of recovery, totalling €24,833 thousand, which are not available since the related amounts have been seized and have not yet been assigned to creditors of the Poste Italiane functions outside the ring-fence. Any losses on realisation of collateral are for the account of the Poste Italiane functions outside the ring-fence.

78. Introduced by art. 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 art. 19 of Law Decree 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 2013	Balance at 31 December 2012
1. Due to Central Banks	**-**	**-**
2. Due to banks	**3,484,111**	**3,483,754**
2.1 Current accounts and demand deposits	290,577	440,390
2.2 Time deposits	-	-
2.3 Loans	3,193,124	3,042,281
2.3.1. Repurchase agreements	3,193,124	3,042,281
2.3.2. Other	-	-
2.4 Obligations to repurchase equity instruments	-	-
2.5 Other payables	410	1,083
Total	**3,484,111**	**3,483,754**
Fair value - Level 1	***-***	***-***
Fair value - Level 2	***3,208,359***	***3,073,690***
Fair value - Level 3	***290,577***	***440,390***
Total fair value	**3,498,936**	**3,514,080**

€3,193,125 thousand was due to banks at 31 December 2013 under the terms of repurchase agreements. In detail:

- €2,502,983 thousand (€2,983 thousand of which accrued interest) related to the three-year loan obtained in February 2012 from Banca IMI SpA (Three-year Long-term Refinancing Operation arranged by the ECB) to be repaid as a bullet in February 2015, with optional prepayments each month from the second year, with interest based on REFI[79] plus a spread negotiated with the lender of record;
- €690,141 thousand (€1,212 thousand of which accrued interest) related to ordinary funding by BancoPosta RFC 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 BancoPosta's 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 €650 million and overdraft arrangements of €81 million provided by Poste Italiane SpA, both undrawn at 31 December 2013.

79. The REFI or refinancing rate is an indexed interest rate charged to banks when they refinance at the ECB. As part of the long-term refinancing arranged by the European Central Bank in February 2012, Poste Italiane SpA concluded two long-term repurchase agreements of €2.5 billion each, with maturities of up to three years, using the proceeds to buy Italian government bonds of equal nominal amount and matching maturities, with a view to bringing forward the rollover of bonds maturing in the next three years.

Section 2 – Due to customers – Item 20

2.1 Due to customers: analysis

Transaction type/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Current accounts and demand deposits	40,080,763	38,779,709
2. Time deposits	852,677	840,190
3. Loans	1,798,187	2,591,873
3.1 Repurchase agreements	1,729,856	2,523,542
3.2 Other	68,331	68,331
4. Obligations to repurchase equity instruments	-	-
5. Other payables	1,266,501	1,250,332
Total	**43,998,128**	**43,462,104**
Fair value - Level 1	***-***	***-***
Fair value - Level 2	***1,735,153***	***2,535,904***
Fair value - Level 3	***42,268,272***	***40,938,562***
Total fair value	**44,003,425**	**43,474,466**

"Current accounts and demand deposits" include €86,946 thousand in postal current accounts held by Poste Italiane SpA outside the ring-fence.

"Loans, Repurchase agreements" (including €29,856 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), with interest based on REFI plus a spread negotiated with the lender of record. The first repayment of €812,322 thousand was due on 4 September 2013, with the other two repayments of €814,050 thousand and €915,806 due on 6 August 2014 and 26 February 2015, respectively.

"Loans, Other" refers to an amount due to the Poste Italiane functions outside the ring-fence in connection with the creation of BancoPosta RFC.

"Other payables" primarily consist of €774,351 thousand in prepaid Postepay card balances payable to customers and domestic postal orders, amounting to €331,578 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 2013 or 31 December 2012.

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 2013			Notional value(*) at 31 Dec 2013	Fair value at 31 December 2012			Notional value(*) at 31 Dec 2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**470,973**	**-**	**5,525,000**	**-**	**816,116**	**-**	**6,283,750**
1) Fair value	-	367,673	-	3,700,000	-	604,117	-	3,700,000
2) Cash flow	-	103,300	-	1,825,000	-	211,999	-	2,583,750
3) Net foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**470,973**	**-**	**5,525,000**	**-**	**816,116**	**-**	**6,283,750**

(*) The settlement price for derivatives with exchange of principal (securities or other assets) is given below, as required by Bank of Italy Circular 262/2005.

6.2 Hedging derivatives by hedged portfolio and type of hedge

	Fair value						Cash flow		Net foreign investments
	Micro					Macro	Micro	Macro	
Transaction type/Type of hedge	interest rate risk	foreign exchange risk	credit risk	price risk	multiple risk				
1. Available-for-sale financial assets	367,673	-	-	-	-	x	103,300	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	**367,673**	**-**	**-**	**-**	**-**	**-**	**103,300**	**-**	**-**
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 had 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 were no such liabilities at the reporting date.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: analysis

Liabilities/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
Items in process:	629,907	882,140
- amounts to be credited to postal savings books	357,095	340,306
- items in transit between local branches	5,663	15,242
- other	267,149	526,592
Tax liabilities other than those included in item 80	611,419	392,944
Amounts due to Poste Italiane SpA for services rendered	377,834	387,498
Amounts due to customers	95,310	82,412
Trade payables	50,443	61,950
Due to employees	17,266	12,243
Accrued expenses and deferred income	15,175	14,376
Other items	71,992	67,014
Total	**1,869,346**	**1,900,577**

"Items in process, other" includes, among other things, domestic and international bank transfers, totalling €79,343 thousand, and unpaid postal cheques of €41,626 thousand.
"Tax liabilities other than those included in item 80" primarily include:

- €355,022 thousand in stamp duty accrued to 31 December 2013 on outstanding interest-bearing postal savings certificates holders in accordance with the requirements referenced in Part B, Table 15.1;
- €176,413 thousand regarding taxes and road tax payable to collection agents, the tax authorities and regional authorities for payments made by customers;
- €35,108 thousand in tax withholdings on current account interest payments to customers;
- €28,217 thousand in stamp duty payable to the tax authorities in virtual form.

"Other items" relate to items in the process of allocation.

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 2013	Balance at 31 December 2012
A. Opening balance	**18,848**	**15,408**
B. Increases	**1,653**	**4,944**
B.1 Provisions for the year	570	752
B.2 Other increases	1,083	4,192
C. Decreases	**(2,284)**	**(1,504)**
C.1 Benefits paid	(744)	(1,007)
C.2 Other decreases	(1,540)	(497)
D. Closing balance	**18,217**	**18,848**

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. 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.
€704 thousand of the total uses of the provision for employee termination benefits were for benefit payments, with an additional €40 thousand for substitute tax payments.
Other decreases were caused by transfers of €469 thousand to certain Group companies and actuarial losses of €1,071 thousand, recognised as a release from equity reserves (Part D).
Measurement of the liability entails actuarial computations for which the following assumptions were used in 2013 and 2012:

Key financial-economic assumptions

	At 31 December 2013	At 30 June 2013	At 31 December 2012
Discount rate	3.17%	3.12%	2.69%
Inflation rate	2.00%	2.00%	2.00%
Annual rate of increase of employee termination benefits	3.00%	3.00%	3.00%

Key demographic assumptions

	31 December 2013
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains/(losses)

	At 31 December 2013	At 31 December 2012
Change in demographic assumptions	-	(44)
Change in financial assumptions	(879)	3,599
Other experience-related adjustments	(192)	(36)
Total	**(1,071)**	**3,519**

Sensitivity analysis

	Employee termination benefits at 31 December 2013
Inflation rate +0.25%	18,516
Inflation rate -0.25%	17,925
Discount rate +0.25%	17,785
Discount rate -0.25%	18,666
Turnover rate +0.25%	18,234
Turnover rate -0.25%	18,200

Other information

	Employee termination benefits at 31 December 2013
Service cost	-
Average duration of defined benefit plan	10.5
Average employee turnover	0.64%

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: analysis

Provision/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Provisions for retirement benefits	-	-
2. Other provisions	348,281	282,012
2.1 litigation	72,963	54,257
2.2 personnel expenses	471	1,826
2.3 other	274,847	225,929
Total	**348,281**	**282,012**

Other provisions are described in 12.4, below.

12.2 Provisions for risks and charges: movements during the year

	Provision for retirement benefits	Other provisions	Total
A. Opening balance	**-**	**282,012**	**282,012**
B. Increases	**-**	**114,680**	**114,680**
B.1 Provisions for the year	-	93,623	93,623
B.2 Increases due to passage of time	-	501	501
B.3 Increases due to changed discount rates	-	-	-
B.4 Other increases	-	20,556	20,556
C. Decreases	**-**	**(48,411)**	**(48,411)**
C.1 Uses during the year	-	(38,183)	(38,183)
C.2 Decreases due to changed discount rates	-	-	-
C.3 Other decreases	-	(10,228)	(10,228)
D. Closing balance	**-**	**348,281**	**348,281**

"B.1 Provisions for the year" includes personnel expenses of €3,065 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 €834 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 2013	Balance at 31 December 2012
Litigation	**72,963**	**54,257**
Provisions for disputes with third parties	72,253	52,321
Provisions for personnel disputes	710	1,936
Provisions for personnel expenses	**471**	**1,826**
Other provisions	**274,847**	**225,929**
Provision for non-recurring charges	261,809	213,272
Provisions for expired and statute barred savings certificates	13,038	12,657
Total	**348,281**	**282,012**

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 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, 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, in addition to risks of disputes with customers regarding investment products of a nature and/or performance deemed by customers to be inconsistent with their expectations. The provisions are stated at the present value of liabilities.

Provisions for expired and statute barred postal savings 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 Italiane 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 2013 the provisions represent the present value of total liabilities, based on a nominal value of €21,644 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 / 14.2 / 14.3 Capital

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

Guarantee/Commitments	Balance at 31 December 2013	Balance at 31 December 2012
1) Financial guarantees issued	**-**	**-**
a) Banks	-	-
b) Customers	-	-
2) Trade guarantees issued	**-**	**-**
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitments to disburse funds	**-**	**801,149**
a) Banks	-	801,149
i) certain disbursement	-	801,149
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	**421,114**	**-**
Total	**421,114**	**801,149**

"Other commitments" relate to the delivery of securities with a nominal value of €400,000 thousand under repurchase agreements. The commitment is stated at the settlement amount.

2. Assets pledged as collateral for liabilities and commitments

Portfolio	Balance at 31 December 2013	Balance at 31 December 2012
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	5,262,082	6,525,644
5. Due from banks	328,055	451,515
6. Due from customers	16,310	65,750
7. Property, plant and equipment	-	-

"Held-to-maturity financial assets" carried at amortised cost and available-for-sale financial assets designated at fair value relate to securities provided as collateral to counterparties of negative fair value hedging asset swaps and repos.
Amounts due from banks and customers relate to deposits collateralising counterparties as a result of the negative fair value hedging asset swap hedges.

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	**49,619,687**
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	11,899,008
1. securities issued by the reporting bank	-
2. other securities	11,899,008
c) third-party securities deposited with third parties	11,899,008
d) own securities deposited with third parties	37,720,679
4. Other transactions	**240,817,195**
a) postal savings books	106,157,331
b) interest-bearing Postal Certificates	134,659,864

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 as 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 amount not subject to offset in the financial statements		Net amount at 31 December 2013 (f=c-d-e)	Net amount at 31 December 2012
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	131	-	131	-	-	131	-
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31 December 2013	**131**	**-**	**131**	**-**	**-**	**131**	**x**
Total at 31 December 2012	**-**	**-**	**-**	**-**	**-**	**x**	**-**

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 amount not subject to offset in the financial statements		Net amount at 31 December 2013 (f=c-d-e)	Net amount at 31 December 2012
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	439,017	-	439,017	102,632	333,941	2,444	42,981
2. Repurchase agreements	4,922,981	-	4,922,981	4,922,941	40	-	146
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31 December 2013	**5,361,998**	**-**	**5,361,998**	**5,025,573**	**333,981**	**2,444**	**x**
Total at 31 December 2012	**6,375,756**	**-**	**6,375,756**	**5,815,364**	**517,265**	**x**	**43,127**

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	Balance at 31 December 2013	Balance at 31 December 2012
1. Financial assets held for trading	226	-	-	226	544
2. Available-for-sale financial assets	893,640	-	-	893,640	869,581
3. Held-to-maturity financial assets	659,040	-	-	659,040	598,816
4. Due from banks	-	363	-	363	1,031
5. Due from customers	-	162,677	-	162,677	261,342
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	x	x	34,670	34,670	51,433
8. Other assets	x	x	-	-	-
Total	**1,552,906**	**163,040**	**34,670**	**1,750,616**	**1,782,747**

"Due from customers, Loans" includes interest income of €5,203 thousand relating to interest earned on the intersegment account with the Poste Italiane SpA functions outside the ring-fence.

1.2 Interest and similar income: hedge differentials

Differential	Balance at 31 December 2013	Balance at 31 December 2012
A. Positive hedge differentials	51,286	63,599
B. Negative hedge differentials	(16,616)	(12,166)
C. Net (A-B)	**34,670**	**51,433**

1.3 Interest and similar income: other information

Nil.

1.4 Interest and similar expense: analysis

Liability/Technical form	Debts	Securities	Other transactions	Balance at 31 December 2013	Balance at 31 December 2012
1. Due to Central Banks	-	x	-	-	-
2. Due to banks	(23,434)	x	-	(23,434)	(28,948)
3. Due to customers	(203,412)	x	-	(203,412)	(252,795)
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	**(226,846)**	**-**	**-**	**(226,846)**	**(281,743)**

"Due to customers, Debts" includes total interest of €2,450 thousand payable on postal current accounts held at Poste Italiane SpA but outside the ring-fence (€2,072 thousand) and interest payable to Poste Italiane in connection with the creation of BancoPosta RFC (€378 thousand).

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: analysis

Service/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
a) Guarantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and advisory services	2,142,077	2,126,425
1. Financial instrument trading	-	-
2. FX trading	560	446
3. Portfolio management:	-	-
3.1 Individual	-	-
3.2 Collective	-	-
4. Securities custody and administration	16,445	19,670
5. Depository banking	-	-
6. Securities placements	31,262	48,946
7. Order receipt and transmission	7,299	8,508
8. Advisory services:	-	-
8.1 Relating to investments	-	-
8.2 Relating to financial structuring	-	-
9. Distribution of services to third parties:	2,086,511	2,048,855
9.1 Portfolio management:	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 Insurance products	328,438	233,150
9.3 Other products	1,758,073	1,815,705
d) Collection and payment services	1,151,562	1,159,752
e) Securitisation servicing	-	-
f) Factoring services	-	-
g) Tax collection	-	-
h) Multilateral trading services	-	-
i) Current account maintenance and management	262,879	248,455
j) Other services	7,375	6,489
Total	**3,563,893**	**3,541,121**

2.2 Fee and commission income by product and service distribution channel

Channel/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
A. Own counters:	**2,117,773**	**2,097,801**
1. Portfolio management	-	-
2. Securities placements	31,262	48,946
3. Third-party products and services	2,086,511	2,048,855
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 postoffice network.

2.3 Fee and commission expense: analysis

Service/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	(1,850)	(1,801)
1. Financial instrument trading	(131)	(222)
2. FX trading	-	-
3. Portfolio management:	-	-
3.1 Own	-	-
3.2 For third parties	-	-
4. Securities custody and administration	(1,017)	(992)
5. Financial instrument placements	(702)	(587)
6. Off-site marketing of financial instruments, products and services	-	-
d) Collection and payment services	(42,075)	(40,881)
e) Other services	(1,090)	(855)
Total	**(45,015)**	**(43,537)**

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	Balance at 31 December 2013 Dividends	Balance at 31 December 2013 UCIs distributions	Balance at 31 December 2012 Dividends	Balance at 31 December 2012 UCIs distributions
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	98	-	71	-
C. Financial assets designated at fair value	-	-	-	-
D. Investments	-	x	-	x
Total	**98**	**-**	**71**	**-**

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	**-**	**11,359**	**-**	**(558)**	**10,801**
1.1 Debt securities	-	9,469	-	(216)	9,253
1.2 Equity instruments	-	-	-	(2)	(2)
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	1,890	-	(340)	1,550
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**	**(264)**
4. Derivative instruments	**1,661**	**10,881**	**-**	**(162)**	**12,380**
4.1 Financial derivatives:	1,661	10,881	-	(162)	12,380
- on debt securities and interest rates	1,661	10,881	-	(162)	12,380
- on equity instruments and share indices	-	-	-	-	-
- on foreign exchange and gold	x	x	x	x	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**1,661**	**22,240**	**-**	**(720)**	**22,917**

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: analysis

Profit component/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
A. Income on:		
A.1 Fair value hedge derivatives	236,914	-
A.2 Hedged financial assets (fair value)	52	213,381
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	848	7
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	**237,814**	**213,388**
B. Cost of:		
B.1 Fair value hedge derivatives	(52)	(213,973)
B.2 Hedged financial assets (fair value)	(236,743)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	(1)	(375)
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	**(236,796)**	**(214,348)**
C. Net hedging income (A - B)	**1,018**	**(960)**

Section 6 – Profits/(Losses) on disposal or repurchase – Item 100

6.1 Profits/(Losses) on disposal or repurchase: analysis

	Balance at 31 December 2013			Balance at 31 December 2012		
Asset-Liability/Profit component	Profit	Loss	Net profit	Profit	Loss	Net profit
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Available-for-sale financial assets	291,808	(6,194)	285,614	50,398	-	50,398
3.1 Debt securities	291,808	(6,194)	285,614	50,398	-	50,398
3.2 Equity instruments	-	-	-	-	-	-
3.3 UCIs	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	1,186	(182)	1,004	-	-	-
Total assets	**292,994**	**(6,376)**	**286,618**	**50,398**	**-**	**50,398**
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

	Impairment losses			Recoveries				Balance at 31 December 2013	Balance at 31 December 2012
	Specific		Collective	Specific		Collective			
Asset-Liability/ Profit component	Write-off	Other		Interest	Other	Interest	Other		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-		-	-	-	-	-	
B. Due from customers	**-**	**-**	**(9,269)**	**-**	**-**	**-**	**-**	**612**	**(8,657)**
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other amounts owing	-	-	(9,269)	-	-		-	612	(8,657)
- Loans	-	-	(9,269)	-	-		-	612	(8,657)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**-**	**(9,269)**	**-**	**-**		**-**	**612**	**(8,657)**

Section 9 – Administrative expenses – Item 150

9.1 Personnel expenses: analysis

Expense/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1) Employees	(88,125)	(80,400)
a) wages and salaries	(63,633)	(58,524)
b) social security	(16,268)	(14,880)
c) employee termination benefits	(3,968)	(3,838)
d) social security costs	-	-
e) provision for employee termination benefits	(570)	(752)
f) provisions for post-employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(682)	(534)
- defined contribution plans	(682)	(534)
- defined benefit plans	-	-
h) cost of share-based payments	-	-
i) other employee benefits	(3,004)	(1,872)
2) Other active personnel	-	(20)
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	**(88,125)**	**(80,420)**

9.2 Average number of employees by category[*]

	At 31 December 2013	At 31 December 2012
Employees	**1,782**	**1,757**
a) executives	46	45
b) middle managers	416	388
c) other employees	1,320	1,324
Other employees	-	-
Total	**1,782**	**1,757**

[*] 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	Balance at 31 December 2013	Balance at 31 December 2012
1) Cost of services provided by Poste Italiane SpA:	(4,423,716)	(4,419,914)
- commercial services	(4,023,429)	(4,036,202)
- support services	(351,703)	(322,730)
- staff services	(48,584)	(60,982)
2) Cost of goods and non-professional services:	(59,198)	(51,196)
- printing and postage	(52,111)	(45,803)
- credit and debit card supply services	(7,087)	(5,393)
3) Advisory and other professional services	(41,214)	(32,771)
4) Taxes, penalties and duties	(2,283)	(154)
5) Other expenses	(925)	(429)
Total	**(4,527,336)**	**(4,504,464)**

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	Reversal	Net provision
Provisions for litigation	(23,469)	2,554	(20,915)
Provisions for risks and charges	(67,590)	6,840	(60,750)
Total	**(91,059)**	**9,394**	**(81,665)**

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	Balance at 31 December 2013	Balance at 31 December 2012
1. Burglaries and theft	(6,265)	(6,909)
2. Other charges	(29,360)	(19,374)
Total	**(35,625)**	**(26,283)**

"Other charges" relates primarily to post office operating losses.

13.2 Other operating income: analysis

Profit component/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Statute barred money orders	5,889	4,385
2. Other operating income	9,533	4,778
Total	**15,422**	**9,163**

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		Balance at 31 December 2013	Balance at 31 December 2012
1.	Current taxes (-)	(266,290)	(211,271)
2.	Increase/(Decrease) in current taxes of prior period taxation (+/-)	189	14,645
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 (+/-)	12,730	(6,973)
5.	Increase/(Decrease) in deferred tax liabilities (+/-)	88	88
6.	**Taxation for year (-) (-1+/-2+3+/-4+/-5)**	**(253,283)**	**(203,511)**

18.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

	For the year ended 31 December 2013		For the year ended 31 December 2012	
Description	IRES	Rate %	IRES	Rate %
Income before tax	*627,313*		*546,173*	
Theoretical tax charge	172,511	27.5%	150,198	27.5%
Effect of increases/(decreases) on theoretical tax charge				
Exempt gains on financial assets	-	0.0%	-	0.0%
Non-deductible contingent liabilities	2,024	0.3%	360	0.1%
Non-deductible taxes	-	0.0%	-	0.0%
Net provisions for risks and charges and impairments of receivables	9,272	1.5%	1,346	0.2%
Taxation for previous years	(552)	-0.1%	30	0.0%
Credit for refund of IRAP paid on personnel expenses, Law Decree 201/2011	-	0.0%	(12,454)	-2.3%
Deduction of IRAP paid on personnel expenses, Law Decree 201/2011	(21,294)	-3.4%	(19,941)	-3.7%
Other	(3,683)	-0.6%	(2,155)	-0.4%
Effective tax charge	**158,278**	**25.2%**	**117,384**	**21.5%**

The increase in the tax rate for the year under review was almost entirely due to the absence, with respect to 2012, of the positive impact of application of the provisions of Law Decree 201 of 2011 regarding the deductibility of IRAP paid on personnel expenses from IRES.

Description	For the year ended 31 December 2013		For the year ended 31 December 2012	
	IRAP	Rate %	IRAP	Rate %
Income before tax	*627,313*		*546,173*	
Theoretical tax charge	28,354	4.52%	24,960	4.57%
Personnel expenses	61,504	9.80%	59,141	10.83%
Other	5,147	0.82%	2,026	0.37%
Effective tax charge	**95,005**	**15.14%**	**86,127**	**15.77%**

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**	**374,030**
	Other components of comprehensive income not reclassified to profit or loss			
20.	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	1,071	(295)	776
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:	157,573	(50,547)	107,026
	a) changes in fair value	188,216	(60,332)	127,884
	b) reversal to profit or loss	(30,643)	9,801	(20,842)
	c) other movements	-	(16)	(16)
100.	Available-for-sale financial assets:	684,541	(213,637)	470,904
	a) changes in fair value	894,462	(281,086)	613,376
	b) reversal to profit or loss	(209,921)	67,322	(142,599)
	- impairments	-	-	-
	- realised gains/(losses)	(209,921)	67,322	(142,599)
	c) other movements	-	127	127
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 income**	**843,185**	**(264,479)**	**578,706**
140.	**Comprehensive income (Items 10+130)**	**x**	**x**	**952,736**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Background

BancoPosta's operations are conducted in accordance with Presidential Decree 144/2001 and have been ring-fenced since 2 May 2011 under the name of BancoPosta RFC. 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. Activities also include the management of third party collections and remittances.

BancoPosta is required to invest postal current account deposits by private customers in euro zone government securities[80], whilst deposits by Public Sector entities are deposited with the Ministry of the Economy and Finance. In 2013 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 2013 resulted in an accumulation of unrealised gains on securities carried in the financial statements, some of which were recognised as realised gains in income as a result of the policy of reducing asset maturities[81]. This strategy was devised in accordance with changes in the model used to estimate the effective term of current account deposits, introduced in consequence of a Bank of Italy inspection in 2012, and brought about a reduction in the maximum assumed maturity of deposits from private customers from 30 to 20 years.

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. The model is also used as the basis for investment policies (the limits of which are determined by the Board of Directors through the issuance of guidelines) in order to reduce exposure to interest rate and liquidity risks by foreseeing mismatches caused by the need to marry the exigencies of risk management with those of improving returns that are dependent on the continually changing yield curve.

Financial risk management

The objectives of a balanced financial management and monitoring of the main risk/return profiles are carried out by Poste Italiane's existing organisational units, both within and without the BancoPosta ring-fence, operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of 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 headed 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. As a rule, the Committee meets once a month to examine, at the proposal of the Head of BancoPosta, key issues relating to the management and performance of the ring-fenced capital. Poste Italiane SpA's CEO then takes the necessary actions based on the work of the Committee, supported by the relevant 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.

80. Following the changes introduced by Law 191 of 23 December 2009, it became possible for BancoPosta to invest up to 5% of its deposits in securities guaranteed by the Italian government.
81. The average maturity of investments in securities funded by private customer deposits decreased from 5.50 years at 31 December 2012 to 5.10 years at 31 December 2013.

The activities of the following bodies is also important:
- Poste Italiane SpA's Finance Committee, of which the Head of BancoPosta is a member, which oversees financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- Poste Italiane SpA's Financial Risk Committee, which monitors risk exposure and meets at least quarterly. Its members include the Head of BancoPosta's Risk Management;
- Poste Italiane SpA's Finance function, the work of which is regulated by separate operating guidelines, assures optimal short and medium to long-term financial structure for BancoPosta RFC and cash management in accordance with corporate guidelines.

Section 1 – Credit risk

Credit risk is intertwined with counterparty, liquidity 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 a borrower or group of related borrowers, a specific industrial group, industry or 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;
- suspense account items: 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 2014;

- cash collateral accounts held at other banks in accordance with agreements intended to mitigate counterparty risk (CSA - Credit Support Annex and GMRA - Global Master Repurchase Agreement);
- securities held as collateral accounts in accordance with agreements intended to mitigate counterparty risk (CSA - Credit Support Annex and GMRA - Global Master Repurchase Agreement);
- trade receivables payable by financial/insurance product distribution associates.

Monitoring counterparty risk is particularly entails the arrangement of 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 exposure.

2.2 Management, measurement and control systems

Credit risk is controlled through the following:
- rating limits 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[82].
The standard method[83] as described in Bank of Italy Circular 263/2006[84], 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.

The following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:
- the current value method[85] is used for plain vanilla asset swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method[86], are used for repurchase transactions.

Concentration risk is measured using the method described in Bank of Italy regulation (Circular 263/2006, Title V, Chapter 1).

2.3 Credit risk mitigation techniques

In order to limit the counterparty risk's exposure, BancoPosta RFC has concluded standard ISDA master agreements and special agreements for the mitigation of risk for Repos transactions (GMRA - Global Master Repurchase Agreement) and OTC derivatives (CSA - Credit Support Annex).

82. According to the prudential requirements, weighted risk exposure must at all times be below 25% of regulatory capital. Exposures are normally equal to an asset's nominal value adjusting for any risk mitigation. Lower risk borrowers are assigned lower risk weightings.
83. 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.
84. Bank of Italy Circular 263 of 27 December 2006 was still in effect on 31 December 2013. This was, however, replaced on 1 January 2014 by Bank of Italy Circular 285 of 17 December 2013 and EU Regulation 575/2013 (Basel 3).
85. The current 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.
86. The full CRM method entails reducing risk exposure by the value of security. Specific rules are applied to take into account market price volatility of the secured asset as well as the collateral received.

In detail, the agreements provide for a netting of asset and liability positions and the posting of cash or government securities as collateral.

The process of recognising the above techniques used to mitigate credit and counterparty risk (the collateral provided by the ISDA, CSA and GMRA agreements) for the purposes of capital adequacy has been completed.

2.4 Impaired financial assets

There were no impaired financial assets on BancoPosta RFC's books at 31 December 2013.

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	Reconstructed	Non-performing past-due	Performing past-due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-	24,373,703	24,373,703
3. Held-to-maturity financial assets	-	-	-	-	-	15,221,162	15,221,162
4. Due from banks	-	-	-	-	-	375,749	375,749
5. Due from customers	-	-	-	-	-	8,356,600	8,356,600
6. Financial assets designated at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	32,087	32,087
Total at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**48,359,301**	**48,359,301**
Total at 31 December 2012	**-**	**-**	**-**	**-**	**-**	**46,901,308**	**46,901,308**

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	-	-	-	24,373,703	-	24,373,703	24,373,703
3. Held-to-maturity financial assets	-	-	-	15,221,162	-	15,221,162	15,221,162
4. Due from banks	-	-	-	375,749	-	375,749	375,749
5. Due from customers	-	-	-	8,503,122	146,522	8,356,600	8,356,600
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	32,087	32,087
Total at 31 December 2013	**-**	**-**	**-**	**48,473,736**	**146,522**	**48,359,301**	**48,359,301**
Total at 31 December 2012	**-**	**-**	**-**	**47,049,359**	**160,208**	**46,901,308**	**46,901,308**

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	375,749	x	-	375,749
TOTAL A	**375,749**	**-**	**-**	**375,749**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	-	-	x	-
b) Other	558,771	x	-	558,771
TOTAL B	**558,771**	**-**	**-**	**558,771**
TOTAL A+B	**934,520**	**-**	**-**	**934,520**

The fair value of the collateral provided by BancoPosta RFC pursuant to these credit and counterparty risk mitigation agreements totals €110,754 thousand.

"Off-balance sheet exposures, Other" primarily relates to the counterparty risk associated with repo financing with Securities Financing Transactions (SFT)[87] margins and a €400,000 thousand nominal value repo agreement counterparty risk maturing in January 2014.

A.1.4 / A.1.5 On-balance sheet credit exposure to banks: impairments and adjustments

Nil.

87. As defined in the prudential requirements.

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	48,097,987	x	146,522	47,951,465
TOTAL A	**48,097,987**	**-**	**146,522**	**47,951,465**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	-	-	x	-
b) Other	546,018	x	-	546,018
TOTAL B	**546,018**	**-**	**-**	**546,018**
TOTAL A+B	**48,644,005**	**-**	**146,522**	**48,497,483**

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 exposures	**173**	**364,132**	**47,791,142**	**1,588**	**-**	**-**	**170,179**	**48,327,214**
B. Derivatives	**-**	**-**	**131**	**-**	**-**	**-**	**-**	**131**
B.1 Financial derivatives	-	-	131	-	-	-	-	131
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**-**	**421,114**	**-**	**-**	**-**	**-**	**-**	**421,114**
E. Other	**-**	**94,318**	**589,226**	**-**	**-**	**-**	**-**	**683,544**
Total	**173**	**879,564**	**48,380,499**	**1,588**	**-**	**-**	**170,179**	**49,432,003**

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 received pledged securities with a fair value of €230,512 thousand as required by the agreements concluded for the mitigation of counterparty risk (GMRA - Global Master Repurchase Agreement) as part of the financing in repos.

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 Past-due	-	-	x	-	-	x	-	-	x	-	-	x	-	-	x	-	-	x
A.5 Other	46,426,824	x	11,994	95,563	x	1,731	935,157	x	2,990	91,388	x	18	390,230	x	16,465	12,303	x	113,324
TOTAL A	**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. 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 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**
TOTAL (A+B) at 31 December 2012	**45,732,499**	**-**	**13,194**	**85,335**	**-**	**1,500**	**938,891**	**-**	**21,467**	**66,882**	**-**	**16**	**255,887**	**-**	**18,422**	**17,516**	**-**	**105,609**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposure/ Geographic area	ITALY Net expos.	ITALY Coll. prov.	OTHER EUROPEAN COUNTRIES Net expos.	OTHER EUROPEAN COUNTRIES Coll. prov.	AMERICAS Net expos.	AMERICAS Coll. prov.	ASIA Net expos.	ASIA Coll. prov.	REST OF THE WORLD Net expos.	REST OF THE WORLD Coll. prov.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	47,933,679	146,496	17,586	22	1	1	-	-	199	3
Total A	**47,933,679**	**146,496**	**17,586**	**22**	**1**	**1**	**-**	**-**	**199**	**3**
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 2013	**47,933,679**	**146,496**	**17,586**	**22**	**1**	**1**	**-**	**-**	**199**	**3**
TOTAL (A+B) at 31 December 2012	**47,094,053**	**160,183**	**2,562**	**21**	**5**	**1**	**1**	**-**	**389**	**3**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposure/ Geographic area	ITALY, NORTHWEST Net expos.	ITALY, NORTHWEST Coll. prov.	ITALY, NORTHEAST Net expos.	ITALY, NORTHEAST Coll. prov.	ITALY, CENTRE Net expos.	ITALY, CENTRE Coll. prov.	ITALY, SOUTH AND ISLANDS Net expos.	ITALY, SOUTH AND ISLANDS Coll. prov.
A. On-balance sheet exposures								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-
A.5 Other	22,886	1,775	1,190	14,104	47,903,640	125,925	5,963	4,692
Total A	**22,886**	**1,775**	**1,190**	**14,104**	**47,903,640**	**125,925**	**5,963**	**4,692**
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 2013	**22,886**	**1,775**	**1,190**	**14,104**	**47,903,640**	**125,925**	**5,963**	**4,692**
TOTAL (A+B) at 31 December 2012	**9,275**	**1,646**	**2,171**	**14,047**	**47,075,098**	**140,331**	**7,509**	**4,159**

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

Exposure/ Geographic area	ITALY Net expos.	Coll. prov.	OTHER EUROPEAN COUNTRIES Net expos.	Coll. prov.	AMERICAS Net expos.	Coll. prov.	ASIA Net expos.	Coll. prov.	REST OF THE WORLD Net expos.	Coll. prov.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	47,541	-	328,192	-	-	-	15	-	1	-
Total A	**47,541**	**-**	**328,192**	**-**	**-**	**-**	**15**	**-**	**1**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	421,245	-	-	-	-	-	-	-	-	-
Total B	**421,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31 December 2013	**468,786**	**-**	**328,192**	**-**	**-**	**-**	**15**	**-**	**1**	**-**
TOTAL (A+B) at 31 December 2012	**78,130**	**-**	**527,301**	**-**	**-**	**-**	**15**	**-**	**1**	**-**

B.3 Distribution of on and off-balance sheet credit exposures to banks by geographic area and carrying amount

Exposure/ Geographic area	ITALY, NORTHWEST Net expos.	Coll. prov.	ITALY, NORTHEAST Net expos.	Coll. prov.	ITALY, CENTRE Net expos.	Coll. prov.	ITALY, SOUTH AND ISLANDS Net expos.	Coll. prov.
A. On-balance sheet exposures								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-
A.5 Other	37,069	-	-	-	10,470	-	2	-
TOTAL A	**37,069**	**-**	**-**	**-**	**10,470**	**-**	**2**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other	421,245	-	-	-	-	-	-	-
TOTAL B	**421,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31 December 2013	**458,314**	**-**	**-**	**-**	**10,470**	**-**	**2**	**-**
TOTAL (A+B) at 31 December 2012	**66,923**	**-**	**-**	**-**	**11,205**	**-**	**2**	**-**

B.4 Large exposures

This part of the Separate Report has not yet been completed since specific prudential supervisory instructions for BancoPosta RFC, issued by the Bank of Italy, have yet to come into effect.

C. Securitisations and disposal of assets

C.1 Securitisations

Nil.

C.2.1 Transferred financial assets not derecognised: carrying amount and gross amount

	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	
Asset/Portfolio	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	At 31 Dec 2013	At 31 Dec 2012
A. On balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**147,697**	**-**	**-**	**5,153,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,301,096**	**6,282,443**
1. Debt securities	-	-	-	-	-	-	147,697	-	-	5,153,399	-	-	-	-	-	-	-	-	5,301,096	6,282,443
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 2013	**-**	**-**	**-**	**-**	**-**	**-**	**147,697**	**-**	**-**	**5,153,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,301,096**	**x**
of which non-performing:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*x*
TOTAL AT 31 DECEMBER 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,282,443**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**x**	**6,282,443**
of which non-performing:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*x*	-

Key

A = Full recognition of financial assets transferred to third parties (carrying amount).

B = Partial recognition of financial assets transferred to third parties (carrying amount).

C = Partial recognition of financial assets transferred to third parties (gross amount).

Financial assets held by third parties but still carried by BancoPosta are government securities held by counterparties as collateral for repurchase agreements.

Specifically:

- €4,877 million relates to two three-year financings as part of the long-term refinancing operation arranged by the European Central Bank in February 2012;
- €424 million, €148 million of which included in the held-to-maturity book, relates to other repurchase agreement financings.

C.2.2 Financial liabilities matched with assets transferred 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	**-**	**-**	**-**	**1,729,856**	**-**	**-**	**1,729,856**
a) asset fully recognised	-	-	-	1,729,856	-	-	1,729,856
b) asset partially recognised	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**147,990**	**3,045,134**	**-**	**-**	**3,193,124**
a) asset fully recognised	-	-	147,990	3,045,134	-	-	3,193,124
b) asset partially recognised	-	-	-	-	-	-	-
TOTAL AT 31 DECEMBER 2013	**-**	**-**	**147,990**	**4,774,990**	**-**	**-**	**4,922,980**
TOTAL AT 31 DECEMBER 2012	**-**	**-**	**-**	**5,565,823**	**-**	**-**	**5,565,823**

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 relates to the potential fluctuations of the prices of securities held in portfolio as a result of the deterioration of the market's view of an issuer's creditworthiness;
- cash flow interest rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in market interest rates;
- inflation rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in inflation rates.

2.1 Rate and price risks - supervisory trading book

There were no supervisory trading book assets or liabilities at 31 December 2013. Poste Italiane SpA's financial operations guidelines for BancoPosta RFC prohibit the acquisition of assets and liabilities with the intention to trade in accordance with Bank of Italy Circular 155, in conjunction with Bank of Italy Circular 263 for supervisory trading books.

2.2 Rate and price risks - banking book

Qualitative information

A. Generalities, operating procedures and rate and price risk measurement methods

• *Rate risk*

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 possibility of a mismatch of types of rates, methods of indexing and maturities of financial assets and liabilities which could remain until their contractual and/or expected final maturity (the banking book) and, consequently, impact on net interest income and will thus have an effect on future period earnings. 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 synthetic, for instance as a result of cash flow hedge asset swaps.

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 of 20 years is currently used for customer deposits and five years for Public Sector deposits. This approach entails the computation of an ALM rate risk through the determination of asset/liability maturity gaps at a 99% confidence level.

Rate risk management and mitigation is based on the conclusions of the measurement of rate risk exposure and compliance with financial operations guidelines as approved 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 three days 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 has become particularly important since 2011 because it was the chief cause of the decrease in the fair value of the AFS portfolio. The trend of spreads in 2013 between German *bunds* and government bonds issued by many other European countries, including Italy, was initially uneven, before then declining, in the case of the 10 year term, to 217 bps at 31 December 2013 (from 321 bps at 31 December 2012). The progressive improvement in Italy's credit rating in 2013 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 one 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.

C. Cash flow hedges

BancoPosta RFC's cash flow interest rate risk hedges include 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 a decrease in prices as a consequence of increasing 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	**8,385,561**	**5,501,615**	**1,378,572**	**1,729,807**	**8,921,700**	**13,131,044**	**9,276,492**	**-**
1.1 Debt securities	-	5,157,250	1,378,572	1,729,807	8,921,700	13,131,044	9,276,492	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	5,157,250	1,378,572	1,729,807	8,921,700	13,131,044	9,276,492	-
1.2 Due from banks	45,769	328,055	-	-	-	-	-	-
1.3 Due from customers	8,339,792	16,310	-	-	-	-	-	-
- current accounts	24,503	-	-	-	-	-	-	-
- other loans	8,315,289	16,310	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	8,315,289	16,310	-	-	-	-	-	-
2. On-balance sheet liabilities	**41,222,794**	**4,736,182**	**200,801**	**465,924**	**372,750**	**-**	**-**	**-**
2.1 Due to customers	40,932,217	1,900,002	200,801	465,924	15,806	-	-	-
- current accounts	40,080,764	-	-	-	-	-	-	-
- other deposits	851,453	1,900,002	200,801	465,924	15,806	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	851,453	1,900,002	200,801	465,924	15,806	-	-	-
2.2 Due to banks	290,577	2,836,180	-	-	356,943	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	290,577	2,836,180	-	-	356,943	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**2,925,000**	**-**	**100,000**	**1,870,000**	**3,755,000**	**3,600,000**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	2,925,000	-	100,000	1,870,000	3,755,000	3,600,000	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	2,925,000	-	100,000	1,870,000	3,755,000	3,600,000	-
+ long positions	-	700,000	-	-	1,870,000	3,055,000	500,000	-
+ short positions	-	2,225,000	-	100,000	-	700,000	3,100,000	-
4. Other off-balance sheet transactions	**-**	**842,228**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	421,114	-	-	-	-	-	-
+ short positions	-	421,114	-	-	-	-	-	-

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	**495**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	495	-	-	-	-	-	-	-
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	**1,261**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	961	-	-	-	-	-	-	-
1.3 Due from customers	300	-	-	-	-	-	-	-
- current accounts	300	-	-	-	-	-	-	-
- 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	**359**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	359	-	-	-	-	-	-	-
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	**52**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	52	-	-	-	-	-	-	-
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	**170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	-	-	-	-	-	-	-	-
1.3 Due from customers	170	-	-	-	-	-	-	-
- current accounts	170	-	-	-	-	-	-	-
- 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	**86**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	58	-	-	-	-	-	-	-
1.3 Due from customers	28	-	-	-	-	-	-	-
- current accounts	28	-	-	-	-	-	-	-
- 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[88].

BancoPosta's available-for-sale financial assets portfolio at 31 December 2013 had a duration of 5.08 (at 31 December 2012: 6.28 years). The sensitivity analysis is shown in the table.

Fair value interest rate risk

Date of reference of the analysis	Nominal value	Fair value	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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	-	-	-	-	-	-	-	-
Variability at 31 December 2013	**22,807,100**	**24,373,703**	**(1,069,561)**	**1,110,135**	**-**	**-**	**(1,069,561)**	**1,110,135**
2012 effect								
Available-for-sale financial assets								
Debt securities	21,475,850	22,426,616	(1,143,568)	994,459	-	-	(1,143,568)	994,459
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	800,000	12,157	(16,225)	1,667	-	-	(16,225)	1,667
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2012	**22,275,850**	**22,438,772**	**(1,159,793)**	**996,126**	**-**	**-**	**(1,159,793)**	**996,126**

All of BancoPosta RFC's investments are classified as held-to-maturity and available-for-sale financial assets. The sensitivity analysis shown above are for these assets.

88. A floor of zero was created at a shift of -100 bps to avoid negative interest rates for short-term items.

In addition to using sensitivity analyses to monitor the risk, BancoPosta RFC also computes VaR (Value at Risk). The results of the VaR analysis of available-for-sale and derivative financial instruments are shown below:

	2013	2012
Closing VaR	(138,098)	(323,202)
Average VaR	(256,398)	(340,470)
Minimum VaR	(129,239)	(225,962)
Maximum VaR	(424,595)	(552,154)

• *Spread risk*

The sensitivity of the government securities portfolio to Italian sovereign risk is significantly greater than to movements in risk free interest rates. This is partly due to the fact that movements in loan spreads also have an effect on the value of variable rate securities and, above all, to the fact that a hedging policy employing derivatives has not been developed for the risk, as is the case for the pure rate component. It means that, in the event of increases in yields solely attributable to interest rates, unrealised losses on fixed rate bonds are offset by an increase in the value of hedging IRS (a fair value hedge strategy). If, on the other hand, the increase in rates is due to increased spreads on Italian government bonds, losses on government securities will not be offset by movements in other positions in the opposite direction.

Sensitivity to spreads was computed by applying a +/- 100 bps shift in the yield curve for Italian government securities, which is the risk most influencing the various types of security in portfolio[89].

The sensitivity analyses are shown below.

Fair value spread risk

			Changes in value		Net interest and other banking income		Equity reserves before taxes	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
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	-	-	-	-	-	-	-	-
Variability at 31 December 2013	**22,807,100**	**24,373,703**	**(1,585,709)**	**1,766,265**	**-**	**-**	**(1,585,709)**	**1,766,265**
2012 effect								
Available-for-sale financial assets								
Debt securities	21,475,850	22,426,616	(1,700,954)	1,917,415	-	-	(1,700,954)	1,917,415
Financial assets held for trading	-	-	-	-	-	-	-	-
Asset - Hedging derivatives	800,000	12,157	(16,225)	17,294	-	-	(16,225)	17,294
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Liability - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2012	**22,275,850**	**22,438,773**	**(1,717,179)**	**1,934,709**	**-**	**-**	**(1,717,179)**	**1,934,709**

89. A floor of zero was created at a shift of -100 bps to avoid negative interest rates for very short-term paper.

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

Date of reference of the analysis	Nominal value	Fair value	SpreadVaR
2013 effects			
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	-	-	-
Variability at 31 December 2013	**22,807,100**	**24,373,703**	**135,518**
2012 effects			
Available-for-sale financial assets			
Debt securities	21,475,850	22,426,616	348,847
Financial assets/liabilities held for trading	-	-	-
Asset/Liability - Hedging derivatives	800,000	12,157	3,495
Variability at 31 December 2012	**22,275,850**	**22,438,773**	**608,467**

Maximum potential loss (VaR - Value at Risk), a statistical estimation with a time horizon of one day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk.
The risk analysis permits an assessment together with spread risk of fair value interest rate risk. VaR at 31 December 2013 on available-for-sale investments was €138,098 thousand (€323,202 thousand at 31 December 2012). The decrease in VaR from its 31 December 2012 level was due to the reduction in portfolio duration in 2013 and the decrease in the volatility of the risk factors considered, particularly spread risk.

• Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2012 and 31 December 2013 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve[90].

90. A floor of zero was created at a shift of -100 bps to avoid negative interest rates for very short-term items.

Cash flow interest rate risk

	2013			2012		
		Net interest and other banking income			Net interest and other banking income	
	Nominal value	+100bps	-100bps	Nominal value	+100bps	-100bps
Due from banks	339,320	3,393	(592)	464,179	4,642	(593
Due from customers						
- Deposits at MEF (Treasury)	5,078,026	50,780	(50,780)	5,416,414	54,164	(54,164)
- Buffer deposit at MEF	529,414	5,294	(1,324)	1,397,125	13,971	(10,478)
- Due from customers (collateral)	16,310	163	(29)	65,750	658	(86)
- Due from customers (Poste Italiane SpA)	382,023	3,820	(955)	245,098	2,451	(1,838)
Financial assets available-for-sale						
- Debt securities	1,700,000	17,000	(5,428)	1,500,000	15,000	(15,000)
Due to banks	(2,511,086)	(25,111)	6,270	(2,500,000)	(25,000)	25,000
Due to customers	(1,700,000)	(17,000)	4,250	(2,500,000)	(25,000)	25,000
Due to customers (Poste Italiane SpA)	(68,331)	(683)	171	(68,331)	(683)	512
Total variability	**3,765,676**	**37,656**	**(48,417)**	**4,020,235**	**40,203**	**(31,647)**

Cash flow risk at 31 December 2013 was primarily inherent in the placement of Public Sector deposits with the MEF.

• Cash flow inflation rate risk

Inflation rate risk at 31 December 2013 related to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges.

Cash flow inflation rate risk

			Changes in value		Profit before tax		Equity reserves before taxes	
Date of reference of the analysis	Nominal value	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2013 effects								
Available-for-sale financial assets								
Debt securities	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)**	**-**	**-**
2012 effects								
Available-for-sale financial assets								
Debt securities	2,800,000	2,998,597	197	(196)	197	(196)	-	-
Variability at 31 December 2012	**2,800,000**	**2,998,597**	**197**	**(196)**	**197**	**(196)**	**-**	**-**

• Price risk

The sensitivity of financial instruments to price risk is analysed by sensitivity stress testing of historic volatility for the period in order to emulate potential market volatility.

Price risk

Date of reference of the analysis	Exposure	Changes in value		Net interest and other banking income		Equity reserves before taxes	
		+Vol	-Vol	+Vol	-Vol	+Vol	-Vol
2013 effect							
Available-for-sale financial assets							
- Equity instruments	47,295	8,775	(8,775)	-	-	8,775	(8,775)
Variability at 31 December 2013	**47,295**	**8,775**	**(8,775)**	**-**	**-**	**8,775**	**(8,775)**
2012 effects							
Available-for-sale financial assets							
- Equity instruments	29,235	6,710	(6,710)	-	-	6,710	(6,710)
Variability at 31 December 2012	**29,235**	**6,710**	**(6,710)**	**-**	**-**	**6,710**	**(6,710)**

Notes on the shares are contained in Part B - *Notes on the Statement of Financial Position*, Section 4.1 *Available-for-sale financial assets*.
Shares in the portfolio were sensitivity tested using similar listed shares adjusting for 2013 volatility. The shares' price risk is also monitored daily through the computation of VaR.
The sensitivity analyses are shown below:

	2013	2012
Closing VaR	(1,010)	(730)
Average VaR	(974)	(826)
Minimum VaR	(665)	(636)
Maximum VaR	(1,361)	(1,125)

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 holdings and MasterCard and Visa shareholdings.
Foreign exchange risk is controlled by the Risk Management function using the measurement of exposure to the risk in accordance with financial management guidelines which restrict currency trading to the foreign exchange service and international remittances.
Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (Circular 263/2006, Title II, Chapter 4, Second part, Section V). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate flexibility 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

Item	Currency					
	US dollar	Swiss franc	Sterling	Japanese yen	Tunisian dinar	Other currencies
A. Financial assets	**47,790**	**1,261**	**359**	**52**	**170**	**203**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	47,295	-	-	-	-	117
A.3 Due from banks	495	961	359	52	-	58
A.4 Due from customers	-	300	-	-	170	28
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**2,366**	**1,899**	**1,414**	**118**	**-**	**-**
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	**50,156**	**3,160**	**1,773**	**170**	**170**	**203**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Position (+/-)	**50,156**	**3,160**	**1,773**	**170**	**170**	**203**

Other assets relate to foreign currencies held in post offices for *Bureau de Change* services.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatilities during the period to the most important equities held by BancoPosta are shown in the following table.

Exchange risk - US dollar

Date of reference of the analysis	Position in (USD/000)	Position in (€/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
2013 effect								
Available-for-sale Investments								
- 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)**
2012 effect								
Available-for-sale Investments								
- Equity instruments	38,573	29,235	2,520	(2,520)	-	-	2,520	(2,520)
Variability at 31 December 2012	**38,573**	**29,235**	**2,520**	**(2,520)**	**-**	**-**	**2,520**	**(2,520)**

2.4 Derivatives

A. Financial derivatives

A.1 Supervisory trading book: closing and average nominal amounts
Nil.

A.2 Banking book: closing and average nominal amounts

A.2.1 Hedging

Underlyings/Type of derivative	Balance at 31 December 2013		Balance at 31 December 2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**6,125,000**	**-**	**7,084,899**	**-**
a) Options	-	-	-	-
b) Swaps	6,125,000	-	6,283,750	-
c) Forwards	-	-	801,149	-
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	**6,125,000**	**-**	**7,084,899**	**-**
Averages	**6,301,871**	**-**	**7,417,018**	**-**

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 2013		Balance at 31 December 2012	
	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	**32,087**	**-**	**12,157**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	32,087	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	12,157	-
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	**32,087**	**-**	**12,157**	**-**

A.4 Financial derivatives: negative gross fair value by product

Book/Type of derivative	Negative fair value			
	Balance at 31 December 2013		Balance at 31 December 2012	
	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	**470,973**	**-**	**816,116**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	470,973	-	816,116	-
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	**470,973**	**-**	**816,116**	**-**

A.5 / A.6 OTC financial derivatives - supervisory trading book: nominal amount, gross negative and positive fair value - contracts falling and not falling within the scope of netting agreements

Nil.

A.7 OTC financial derivatives - banking book: nominal 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: nominal 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							
- nominal amount	-	-	5,905,000	220,000	-	-	-
- positive fair value	-	-	32,087	-	-	-	-
- negative fair value	-	-	(453,772)	(17,201)	-	-	-
2) Equity instruments and stock indices							
- nominal amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- nominal amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	
- negative fair value	-	-	-	-	-	-	-
4) Other							
- nominal amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual terms to maturity of OTC financial derivatives: nominal 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	**-**	**170,000**	**5,955,000**	**6,125,000**
B.1 Financial derivatives on debt securities and interest rates	-	170,000	5,955,000	6,125,000
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 2013	**-**	**170,000**	**5,955,000**	**6,125,000**
Total at 31 December 2012	**801,149**	**320,000**	**5,963,750**	**7,084,899**

B. Credit derivatives

Not applicable.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and projected 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	-	-	131	-	-	-	-
- negative fair value	-	-	(421,815)	(17,201)	-	-	-
- future exposure	-	-	35,655	640	-	-	-
- net counterparty risk	-	-	24,569	640	-	-	-
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 rates, to meet its obligations deriving from financial instruments. Illiquid markets could make it impossible to readily sell financial assets at approximately fair value or even 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;
- adoption of analysis models designed 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, being comprised of financial instruments, are 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 area 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. Any mismatch between assets and liabilities is monitored by a comparison of loan and deposit maturities; statistical modelling techniques are used to assess likely amortisation schedules of liabilities in the form of current account deposits, assuming the gradual total withdrawal of deposits over a period of twenty years for private customers and five years for the Public Administration. 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 operation), totalling €4.2 billion, outstanding under the refinancing facility arranged by the European Central Bank in 2012 (see liabilities sections 1 and 2).

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.

Quantitative information

1. Distribution of residual terms to maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below by the time period established for banks' financial statements (Bank of Italy Circular 262, 2nd 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	**8,532,083**	**345,428**	**-**	**9,900**	**644,031**	**512,154**	**2,345,364**	**10,324,392**	**26,696,649**	**-**
A.1 Government securities	-	1,063	-	9,900	644,031	512,154	2,345,364	10,324,392	26,696,649	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,532,083	344,365	-	-	-	-	-	-	-	-
- Banks	45,769	328,055	-	-	-	-	-	-	-	-
- Customers	8,486,314	16,310	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**41,706,583**	**378,188**	**105,892**	**52,141**	**-**	**202,099**	**1,280,852**	**3,752,784**	**-**	**-**
B.1 Deposits and current accounts	40,371,341	200,016	-	-	-	202,099	456,192	-	-	-
- Banks	290,577	-	-	-	-	-	-	-	-	-
- Customers	40,080,764	200,016	-	-	-	202,099	456,192	-	-	
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,335,242	178,173	105,892	52,141	-	-	824,661	3,752,784	-	-
Off-balance sheet transactions	**-**	**842,228**	**-**	**686**	**95,662**	**1,344**	**106,525**	**-**	**-**	**-**
C.1 Financial deposits with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial deposits without exchange of principal	-	-	-	686	95,662	1,344	106,525	-		
- Long positions	-	-	-	686	55,227	1,344	60,356	-	-	-
- Short positions	-	-	-	-	40,436	-	46,169	-	-	-
C.3 Deposits and loans to be received	-	842,228	-	-	-	-	-	-	-	-
- Long positions	-	421,114	-	-	-	-	-	-	-	-
- Short positions	-	421,114	-	-	-	-	-	-	-	-
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	**495**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	495	-	-	-	-	-	-	-	-	-
- Banks	495	-	-	-	-	-	-	-	-	-
- 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: 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	**1,261**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,261	-	-	-	-	-	-	-	-	-
- Banks	961	-	-	-	-	-	-	-	-	-
- Customers	300	-	-	-	-	-	-	-	-	-
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: 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	**359**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	359	-	-	-	-	-	-	-	-	-
- Banks	359	-	-	-	-	-	-	-	-	-
- 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	**52**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	52	-	-	-	-	-	-	-	-	-
- Banks	52	-	-	-	-	-	-	-	-	-
- 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: 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	**170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	170	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	170	-	-	-	-	-	-	-	-	-
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	**86**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	86	-	-	-	-	-	-	-	-	-
- Banks	58	-	-	-	-	-	-	-	-	-
- Customers	28	-	-	-	-	-	-	-	-	-
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 pledged assets recognised in the financial statements

Item	Pledged		Not pledged		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	31 Dec. 2013	31 Dec. 2012
1. Cash and cash equivalents	-	x	3,077,596	x	3,077,596	3,180,533
2. Debt securities	5,409,779	5,778,484	34,185,086	34,609,002	39,594,865	36,474,684
3. Equity instruments	-	-	47,412	47,412	47,412	29,352
4. Loans	-	x	8,732,349	x	8,732,349	10,414,467
5. Other financial assets	-	x	32,087	x	32,087	12,157
6. Non-financial assets	-	x	1,621,102	x	1,621,102	1,697,187
TOTAL AT 31 DECEMBER 2013	**5,409,779**	**5,778,484**	**47,695,632**	**34,656,414**	**53,105,411**	**x**
TOTAL AT 31 DECEMBER 2012	**6,525,644**	**6,815,453**	**45,282,736**	**30,156,364**	**x**	**51,808,380**

Section 4 – Operational risks

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. BancoPosta RFC controls this risk through a newly developed methodological and organisational framework for the identification, measurement and management of operational risk inherent in its products and systems.

The framework is based on an integrated model for qualitative and quantitative measurement. It has, over time, permitted the monitoring of risk for the purposes of increasingly aware risk management.

Quantitative information

The results of the mapping conducted in accordance with the framework show the following types of operational risks to which BancoPosta RFC's products were exposed at 31 December 2013:

Operational risk

Event type	Number of types
Internal fraud	29
External fraud	49
Employment practices and workplace safety	7
Customers, products and business practices	30
Damage to external event	4
Business disruption and system failure	8
Execution, delivery and process management	184
Total at 31 December 2013	**311**

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 prioritisation of mitigation initiatives and the related attribution of responsibilities in order to reduce any future impact.

PART F – INFORMATION ON EQUITY

Section 1 – BancoPosta RFC's Equity

A. Qualitative information

BancoPosta RFC, which was created by shareholder resolution of Poste Italiane SpA filed at the Companies' Register on 2 May 2011, was provided with a ring-fenced equity reserve of €1 billion through the appropriation of Poste Italiane SpA's retained earnings.

B. Quantitative information

B.1 Equity: analysis

Equity accounts/Amounts	Balance at 31 December 2013	Balance at 31 December 2012
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	1,598,990	1,256,328
- revenue reserves	598,990	256,328
a) legal	-	-
b) required by articles	-	-
c) treasury shares	-	-
d) other	598,990	256,328
- Other	1,000,000	1,000,000
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	504,281	(74,425)
- Available-for-sale financial assets	523,720	52,816
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of net investments in foreign operations	-	-
- Cash flow hedges	(18,194)	(125,220)
- Translation differences	-	-
- Non-current assets included in disposal groups	-	-
- Actuarial profits/(losses) on defined benefit plans	(1,245)	(2,021)
- Valuation reserves relating to equity accounted investments	-	-
- Special revaluations laws	-	-
7. Profit/(Loss) for the year	374,030	342,662
Total	**2,477,301**	**1,524,565**

B.2 Valuation reserve for available-for-sale financial assets: analysis

Asset/Amounts	Balance at 31 December 2013		Balance at 31 December 2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	628,449	(150,635)	488,774	(464,052)
2. Equity instruments	45,906	-	28,094	-
3. UCIs	-	-	-	-
4. Loans	-	-	-	-
Total	**674,355**	**(150,635)**	**516,868**	**(464,052)**

B.3 Valuation reserve for available-for-sale financial assets: movements during the year

	Debt securities	Equity instruments	UCIs	Loans
1. Opening balance	**24,722**	**28,094**	**-**	**-**
2. Increases	**621,060**	**17,812**	**-**	**-**
2.1 Increases in fair value	611,193	17,812	-	-
2.2 Reversal to income statement of negative reserve:	9,867	-	-	-
- impairments	-	-	-	-
- disposals	9,867	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**(167,968)**	**-**	**-**	**-**
3.1 Decrease in fair value	(15,629)	-	-	-
3.2 Impairments	-	-	-	-
3.3 Reversal to income statement of positive reserve on disposal	(152,466)	-	-	-
3.4 Other increases	127	-	-	-
4. Closing balance	**477,814**	**45,906**	**-**	**-**

B.4 Defined benefits plans valuation reserve: movements during the year

	Balance at 31 December 2013	Balance at 31 December 2012
Opening actuarial gains/(losses)	**(2,021)**	**529**
Actuarial gains/(losses)	1,071	(3,518)
Taxation of actuarial gains/(losses)	(295)	968
Closing actuarial gains/(losses)	**(1,245)**	**(2,021)**

Section 2 – Equity and capital ratios

This part of the Separate Report has not yet been completed since specific prudential supervisory instructions for Banco-Posta RFC, issued by the Bank of Italy, have yet to come into effect.

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 - *Notes to the income statement*, Table 9.5 - *Other administrative expenses*. They have been charged in accordance with operating instructions (Part A - *Accounting Policies*, A1 - Section 4).

2. Related party transactions

Impact of related party transactions on the financial position at 31 December 2013

	Balance at 31 December 2013						
Name	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-MedioCredito Centrale 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 SpA	-	-	-	-	-	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[2]	-	893,418	-	-	-	1,729,856	-
Enel Group	-	-	-	-	-	-	7,105
ENI Group	-	-	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	1,614
Finmeccanica Group	-	-	-	-	-	-	-
Provision for doubtful debts owing from external related parties	-	(14,582)	-	-	-	-	-
Total	**-**	**8,183,915**	**-**	**-**	**-**	**1,987,157**	**413,881**

[1] Joint venture.
[2] CDP held 100% of Sace SpA and Fintecna SpA since November 2012. Transactions with those entities have consequently been included with those of CDP.

Impact of related party transactions on the financial position at 31 December 2012

Name	Balance at 31 December 2012						
	Financial assets	Due from banks and customers	Hedging derivatives	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	246,431	-	-	-	119,446	389,715
Direct subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	27	-	-	-	1,313	-
BancoPosta Fondi SpA SGR	-	3,413	-	-	-	3,965	-
CLP ScpA	-	105	-	-	-	195	5,308
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	141	-
EGI SpA	-	-	-	-	-	8,894	-
Mistral Air Srl	-	-	-	-	-	665	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-
Poste Energia SpA	-	-	-	-	-	544	-
Poste Tributi ScpA	-	3,095	-	-	-	425	-
Poste Tutela SpA	-	-	-	21	-	14,377	-
Poste Vita SpA	-	62,958	-	-	-	29,576	-
Postecom SpA	-	-	-	-	-	7,172	5,144
Postel SpA	-	-	-	-	-	1,760	-
PosteMobile SpA	-	1,778	-	-	-	29,049	554
PosteShop SpA	-	-	-	-	-	2,771	-
SDA Express Courier SpA	-	-	-	-	-	758	-
Indirect subsidiaries							
Address Software Srl	-	-	-	-	-	5	-
Docutel SpA	-	-	-	-	-	1	-
Italia Logistica Srl	-	-	-	-	-	6	-
Kipoint SpA	-	-	-	-	-	80	-
Poste Assicura SpA	-	3,583	-	-	-	861	-
PostelPrint SpA	-	-	-	-	-	475	26,338
Uptime SpA(1)	-	-	-	-	-	-	-
Associates							
Docugest SpA	-	-	-	-	-	-	-
Telma-Sapienza Scarl	-	-	-	-	-	-	-
Related parties external to the Group							
Ministry of the Economy and Finance	-	8,450,365	-	-	-	-	-
Cassa Depositi e Prestiti Group(2)	-	948,046	-	-	-	2,523,542	-
Enel Group	-	-	-	-	-	-	9,853
ENI Group	-	258	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	1,617
Finmeccanica Group	-	-	-	-	-	-	-
Other related parties	-	2	-	-	-	-	624
Provision for doubtful debts owing from external related parties	-	(34,042)	-	-	-	-	-
Total	**-**	**9,686,019**	**-**	**21**	**-**	**2,746,021**	**439,153**

(1) Joint venture.
(2) CDP held 100% of Sace SpA and Fintecna SpA since November 2012. Transactions with those entities have consequently been included with those of CDP.

Impact of related party transactions on the results 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 expense	Dividends and similar income	Net losses/recoveries on impairment	Administrative expenses	Other operating income/(expenses)
Poste Italiane SpA	5,203	(2,450)	-	-	-	-	(4,423,716)	-
Direct subsidiaries								
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	(33)	222	-	-	-	-	-
BancoPosta Fondi SpA SGR	-	(15)	16,874	-	-	-	-	
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 SpA	-	(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(2)	-	(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.
(2) CDP held 100% of Sace SpA and Fintecna SpA since November 2012. Transactions with those entities have consequently been included with those of CDP.

Impact of related party transactions on the results for the year ended 31 December 2012

Name	Interest and similar income	Interest and similar expense	Fee income	Fee expense	Dividends and similar income	Net losses/recoveries on impairment	Administrative expenses	Other operating income/(expenses)
	For the year ended 31 December 2012							
Poste Italiane SpA	4,271	(4,337)	-	-	-	-	(4,419,914)	-
Direct subsidiaries								
Banca del Mezzogiorno-MedioCredito Centrale SpA	-	(238)	59	-	-	-	-	-
BancoPosta Fondi SpA SGR	-	(1)	12,592	-	-	-	-	-
CLP ScpA	-	-	-	-	-	-	(6,171)	-
Consorzio Servizi Telef. Mobile ScpA	-	(1)	-	-	-	-		
EGI SpA	-	(24)	-	-	-	-	-	-
Mistral Air Srl	-	(1)	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-
Poste Energia SpA	-	(1)	-	-	-	-	-	-
Poste Tributi ScpA	-	(2)	1,652	-	-	-	-	-
Poste Tutela SpA	-	(15)	-	-	-	-	-	-
Poste Vita SpA	-	(1,545)	229,500	-	-	-	-	(366)
Postecom SpA	-	(28)	-	-	-	-	(5,199)	-
Postel SpA	-	(9)	-	-	-	-	-	-
PosteMobile SpA	-	(60)	1,600	-	-	-	(538)	8
PosteShop SpA	-	(5)	-	-	-	-	-	-
SDA Express Courier SpA	-	(4)	-	-	-	-	-	-
Indirect subsidiaries								
Address Software Srl	-	-	-	-	-	-	-	-
Docutel SpA	-	-	-	-	-	-	-	-
Italia Logistica Srl	-	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	(12)	-
Poste Assicura SpA	-	(3)	9,169	-	-	-	-	-
PostelPrint SpA	-	(5)	-	-	-	-	(46,132)	(51)
Uptime SpA[(1)]	-	-	-	-	-	-	-	-
Associates								
Docugest SpA	-	-	-	-	-	-	-	-
Telma-Sapienza Scarl	-	-	-	-	-	-	-	-
Related parties external to the Group								
Ministry of the Economy and Finance	313,979	-	2,900	-	-	-	-	-
Cassa Depositi e Prestiti Group[(2)]	-	(23,542)	1,649,115	-	-	-	-	-
Enel Group	-	-	-	-	-	-	(164)	-
ENI Group	-	-	128	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	(1,709)	-
Finmeccanica Group	-	-	-	-	-	-	-	-
Other related parties	-	-	1	-	-	-	(363)	-
Total	**318,250**	**(29,821)**	**1,906,716**	**-**	**-**		**(4,480,202)**	**(409)**

(1) Joint venture.
(2) CDP held 100% of Sace SpA and Fintecna SpA since November 2012. Transactions with those entities have consequently been included with those of CDP.

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.

Attestation of the separate and consolidated financial statements for the year ended 31 December 2013 pursuant to art. 154-*bis* of Legislative Decree 58/1998

1. The undersigned, Massimo Sarmi, as Chief Executive Officer, and Alessandro Zurzolo, 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 2013.

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 organisation 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
26 March 2014

Chief Executive Officer	Manager responsible for financial reporting
Massimo Sarmi	Alessandro Zurzolo

(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 2013, pursuant to art. 2429, paragraph 2 of the Italian Civil Code

Dear Shareholders,

The current Board of Statutory Auditors (also referred to below as the "Board") was elected by the General Meeting shareholders held on 25 July 2013.

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.

From the date of its election until 31 December 2013, 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 10 occasions, attended 4 Board of Directors' meetings and 2 extraordinary General Meetings.

During the year ended 31 December 2013, the Board fulfilled its statutory duties in accordance with the Italian Civil Code and Legislative Decree 39/2010 regarding the statutory audit of accounts, 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 implementing regulations for banks, deemed applicable 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, during meetings with the Chief Executive Officer, 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 both the separate and consolidated financial statements (the *Società di revisione legale*).

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 articles of association;

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 articles of association, the related legislation and regulations governing their conduct and, in accordance with its duties, the Board can provide reasonable assurance that the actions approved comply with the law, the articles of association 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) was, during the Board of Directors' meeting of 18 December 2013, provided with information and supporting documentation regarding the conditions imposed by the Shareholder in relation to the investment in Alitalia-Cai SpA. The documents on which the Board of Directors based their appraisal of the feasibility of acquiring an interest in Alitalia, including an overall assessment of the acquisition of the investment and of the outlook for the airline, taking into account potential synergies resulting from the transaction, were made available to the Board;

e) did not, during the year, receive reports pursuant to art. 2408 of the Italian Civil Code;

f) examined and oversaw, in accordance with its duties, the adequacy of the Company's administrative/accounting system, its ability to reliably represent 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 investigations conducted by Italian government or European Union authorities.
The above activities did not reveal problems that could be considered indicators of significant inadequacies;

g) the independent auditors have today issued their reports on the separate and consolidated financial statements for the year ended 31 December 2013, prepared pursuant to artt. 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 requirements 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 2013 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 58/1998, is consistent with the information in the separate and consolidated financial statements for the year ended 31 December 2013.

   The reports in question contain the following emphases of matter:

   - Law Decree 201 of 6 December 2011 permits companies to deduct IRAP paid on personnel expenses in full from the IRES tax base from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedure established by the tax authorities in the ruling issued on 17 December 2012. Notes C10 "Income tax expense" to the separate financial statements and C13 "Income tax expense" to the consolidated financial statements describe the impact of this change in legislation. This has resulted in the recognition, in 2013, of tax income representing the accrued credits for the tax years from 2004 to 2006 and interest accrued on the entire tax credit accounted for in the financial statements.
   - Following the ruling handed down by the European Court of Justice on 13 September 2013, note B2 "Shareholder transactions" to the separate and consolidated financial statements describes the impact of the ruling that has overturned the European Commission's Decision C42/2006 of 16 July 2008, which had held that the return on current account deposits received from the Ministry of the Economy and Finance (the "MEF") in the three-year period 2005-2007, under the agreement between the MEF and Poste Italiane SpA, constituted "state aid".

The Board, within the scope of its responsabilities, concurs with the above disclosures.

h) 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 2013" and the "Letter of suggestions 2013", 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 mentions a number of concerns relating to the following principal areas:

- 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 money laundering, the transparency of transactions and of the financial services provided, the fairness of dealings with customers and of related party transactions;

- adequate formalisation of a policy and guidelines to be adopted by the Group in relation to determination of the fair value of financial instruments held by the Group.
  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 2013. These regard the fact that: (i) the length of time required for the Company to collect amounts receivable from the Shareholder – amounting to €1.25 billion at the end of 2013 – 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 compensation payable in order to partially cover the costs of providing the Universal Service in 2013, and the actual cost incurred by the Company in fulfilling its obligations, have been estimated – in the absence of the *Contratto di Programma* (Planning Agreement) for the period 2012-2014 and based on the extension of the previous Agreement – by using the same subsidy cap mechanism applied under the Agreement for the period 2009-2011, in the case of compensation, and using the new "net avoided cost" method, introduced by Legislative Decree 58 of 31 March 2011, to calculate the cost incurred. The model developed by Poste Italiane SpA is currently being assessed by AGCom (the Italian communications authority) as part of two investigations. After completion of these processes, it will be possible to confirm the cost calculated by the Company.
  The Board, in accordance with its duties, concurs with the views expressed by the Independent Auditors. With particular reference to the "Letter of suggestions 2013", 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;

i) the Board notes the document dated 26 March 2013, entitled "Attestation of the separate and consolidated financial statements for the year ended 31 December 2013 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;

l) 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.
The Board is also aware of the additional engagements (other than audit engagements) awarded to the independent auditors and companies within its network in 2013.

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;

m) 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;

n) has examined the minutes of the meetings of the previous Board of Statutory Auditors held in 2013 and is not aware of any material events to be reported;

o) has acquired and examined the reports available to date of the boards of statutory auditors of investee companies on the financial statements of such companies for the year ended 31 December 2013, which do not reveal any aspects worthy of note.

Oversight of BancoPosta RFC

Whilst awaiting issue of the Bank of Italy's new Supervisory Instructions for BancoPosta – currently the subject of a public consultation, scheduled to end on 28 April of this year – 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.

As a result:

p) 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 225/2010, converted into Law 10/2011, which established BancoPosta RFC, requiring the accounting separation provided for in artt. 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. As planned by management, the process of completing the revision of all the operating guidelines governing BancoPosta's relations with the main Company functions that provide it with services is in progress, including the mechanisms for setting the price cap and penalties, as well as the component regarding operating losses. This will also involve the update/revision of the procedure for accounting for costs resulting from intersegment relations. This process also includes the already completed revision of the operating guidelines governing relations between BancoPosta and the main Company functions that provide it with services.

q) 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, express-

ing its observations pursuant to CONSOB Resolution 17297 of 2010.
Based on the activities carried out, the Board reports that:

i) the Company has embarked on a progressive strengthening of if its control system and initiatives designed to bring its controls fully into line with the relevant legislation, in view of the particular environment in which BancoPosta RFC operates and the specific prudential regulations the Bank of Italy is expected to issue shortly;

ii) work on strengthening the tools used by the Internal Auditing function, partly in response to the observations of the Bank of Italy following an inspection in 2012 and recommendations from the external certifying body in 2012, has been completed;

iii) the Compliance and Risk Management functions have periodically reported on the risks of non-compliance and significant risks for BancoPosta, and on the state of progress of the initiatives undertaken as a result of the commitments made to the Bank of Italy following a general audit and other checks on compliance conducted in 2012.
With regard to compliance risk, a number of issues have arisen, above all regarding the procedures involved in combating money laundering, namely in relation to management of the Singe Digital File and the process of complying with the Bank of Italy order of 3 April 2013, effective from January 2014.
The Board of Statutory Auditors has asked for completion of the related remedial action to be speeded up and requested an updated and organic assessment of the completeness of the sources used as the basis for the Singe Digital File, indicating any additional remedial action to be taken, in addition to the wider, organic process of consolidating procedural, IT and control-related aspects of money laundering risk, undertaken by the Company, again in accordance with the commitments given to the supervisory authority.
The Board has also observed a number of cases of the design initiatives undertaken in accordance with the commitments given to the Bank of Italy being rescheduled.
In early 2014, the Board brought these important points to the attention of the Board of Directors, duly informing the supervisory authority. As agreed with the Board, the Company reported to the Bank of Italy on the overall progress in carrying out the required work.
With regard to the management of complaints from BancoPosta customers, the checks conducted by Internal Auditing have confirmed the presence of areas of concern connected, among other things, with the need to complete internal operating procedures, delays in processing complaints regarding bank transactions and a census of transactions that have been disputed by customers, an issue that led to a hike in complaints in the second half of 2013. The management team involved has prepared an action plan designed to resolve the weaknesses identified;

iii) the Risk Management function has reported on continuation, in 2013, of the ICAAP, again conducted on a voluntary basis given the absence of regulatory requirements. In this regard, following the findings of the Bank of Italy inspection of 2012, a number of the parameters used to model the maturities of current account deposits for the purposes of measuring interest rate risk have been reviewed, with the aim of reducing the existing gap, in terms of the estimated average maturity of deposits and, therefore, of the correlated investments as part of an Asset/Liability Management process, compared with the more established practices used within the banking system.
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 BancoPosta's capital adequacy, partly in order to satisfactorily mitigate interest rate and financial leverage risks which, at the end of 2013, are close to regulatory thresholds;

iv) with regard to the Markets in Financial Instruments Directive (MiFID) – in relation to which the CONSOB is currently conducting an inspection – the Board concurs with the recommendations contained in the annual reports of the Internal Auditing and Compliance functions. These aim to finalise the planned evolution of the Customer Service model, with a view to adopting a customer-centred approach and protecting customers' interests, partly in relation to the planned development of this sector in the Three-year Business Plan for the period 2014-16, in addition to strengthening checks on suspect transactions and the off-site offering of products and services by financial promoters employed by the Company.

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 2013, or of the Board of Directors’ proposed resolutions.

14 April 2014

Francesco Massicci - 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 2013

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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 2013, 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 12 April 2013.

3 In our opinion, the separate financial statements of Poste Italiane SpA as of 31 December 2013 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 following matters reported in the notes to the separate financial statements at 31 December 2013:

- Law Decree 201 of 6 December 2011 permits companies to deduct IRAP (regional tax on production) paid on personnel expenses in full from the corporate income tax base (IRES) from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedures established by the tax authorities in the ruling issued on 17 December 2012. The effects deriving from this regulatory change are illustrated

PricewaterhouseCoopers SpA

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in note C.10. "Income tax expense" of the notes to the separate financial statements of Poste Italiane SpA as of 31 December 2013, in respect of the recognition in 2013 of income tax revenues related to receivables accrued in the tax periods 2004-2006 and of interest on the cumulative amount of tax assets carried in the financial statements.

- In consequence of the ruling of the European Court of Justice issued on 13 September 2013, information has been provided in note B.2. "Transactions with shareholders" to the separate financial statements regarding the effects of the cancellation of the European Commission's Decision C42/2006 of 15 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 separate financial statements of Poste Italiane SpA as of 31 December 2013.

Rome, 14 April 2014

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 2013

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 consolidated financial statements of Poste Italiane SpA and its subsidiaries ("Poste Italiane Group") as of 31 December 2013, 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 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 12 April 2013.

3 In our opinion, the consolidated financial statements of the Poste Italiane Group as of 31 December 2013 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 following matters reported in the notes to the consolidated financial statements at 31 December 2013:

- Law Decree 201 of 6 December 2011 permits companies to deduct IRAP (regional tax on production) paid on personnel expenses in full from the corporate income tax base (IRES) from 2012, and to apply for a refund of the IRES overpaid in previous years, in accordance with the procedures established by the tax authorities in the ruling issued

PricewaterhouseCoopers SpA

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on 17 December 2012. The effects deriving from this regulatory change are illustrated in note C.13. "Income tax expense" of the notes to the consolidated financial statements of the Poste Italiane Group as of 31 December 2013, in respect of the recognition in 2013 of income tax revenues related to receivables accrued in the tax periods 2004-2006 and of interest on the cumulative amount of tax assets carried in the financial statements.

- In consequence of the ruling of the European Court of Justice issued on 13 September 2013, information has been provided in note B.2. "Transactions with shareholders" to the consolidated financial statements regarding 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.

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 2013.

Rome, 14 April 2014

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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