2015

Annual Report

Posteitaliane

2015

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Posteitaliane

Summary

ANNUAL REPORT 2015

Group financial and operational highlights

1 Group financial and operational highlights

RESULTS OF OPERATIONS

for the year ended 31 December (€m)	**2015**	**2014**
Total revenue	30,739	28,512
of which:		
from Postal and Business Services	*3,893*	*4,074*
from Financial Services	*5,188*	*5,358*
from Insurance Services	*21,415*	*18,840*
from Other Services	*243*	*240*
EBITDA	1,461	1,362
Operating profit/(loss)	880	691
Profit for the year	552	212
Gross ROE	10,3%	9,0%

FINANCIAL POSITION

at 31 December (€m)	**2015**	**2014**
Non-current assets	3,010	2,893
Working capital	1,301	3,941
Net invested capital	999	3,677
Equity	9,658	8,418
Net funds/(debt)	8,659	4,741
Industrial net funds/(debt) (before adjusting for intersegment transactions)	302	(1,451)
Investment during the period	699	437
of which in property, plant and equipment and intangible assets	*488*	*436*

AVERAGE WORKFORCE

for the year ended 31 December (€m)	**2015**	**2014**
Total permanent and flexible workforce expressed in full time equivalent terms	**143,700**	**144,635**

OTHER OPERATIONAL DATA

at 31 December (€m)	**2015**	**2014**
Outstanding customer current accounts *('000)*[1]	6,362	6,173
Client assets *(€m)*[2]	475,939	461,822
Number of post offices	13,048	13,233

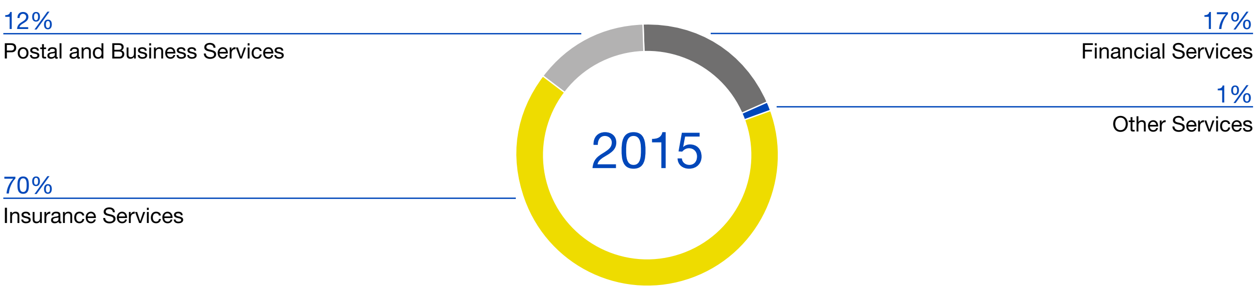
for the year ended 31 December	**2015**	**2014**
Letters handled by Group *(volumes in million)*	3,937	4,324
Express Delivery and Parcels handled by Group *(volumes in million)*	86	76
Current accounts *(average for the period in €m)*[3]	45,169	43,953
Poste Vita group *(net premium revenue in €m)*	18,197	15,472
Number of PosteMobile SIM cards *(average for the period in '000)*	3,471	3,090

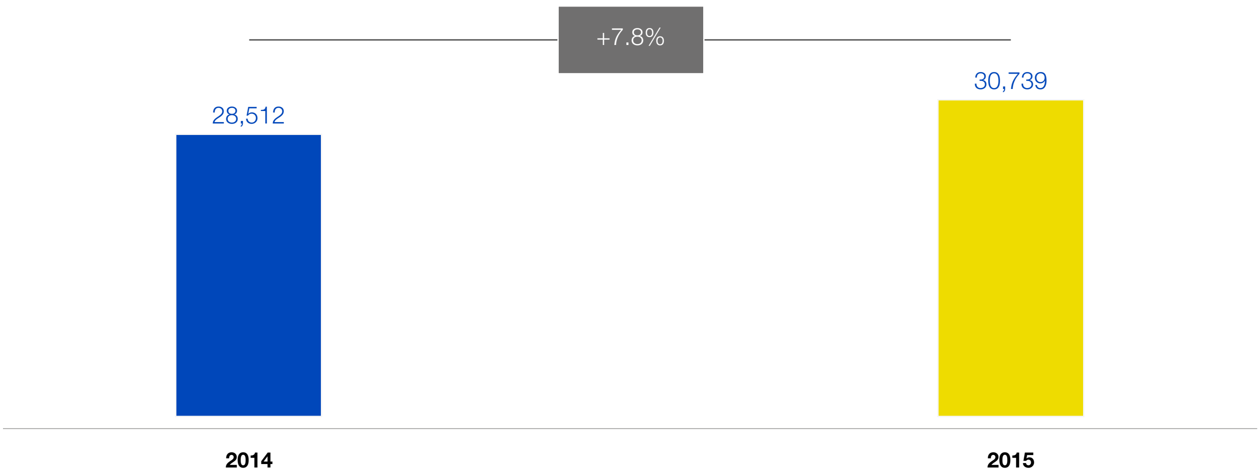
(1) This figure does not includes transaction accounts.

(2) These amounts include postal savings deposits, the mutual investment funds marketed, Poste Vita's technical provisions and average current account deposits.

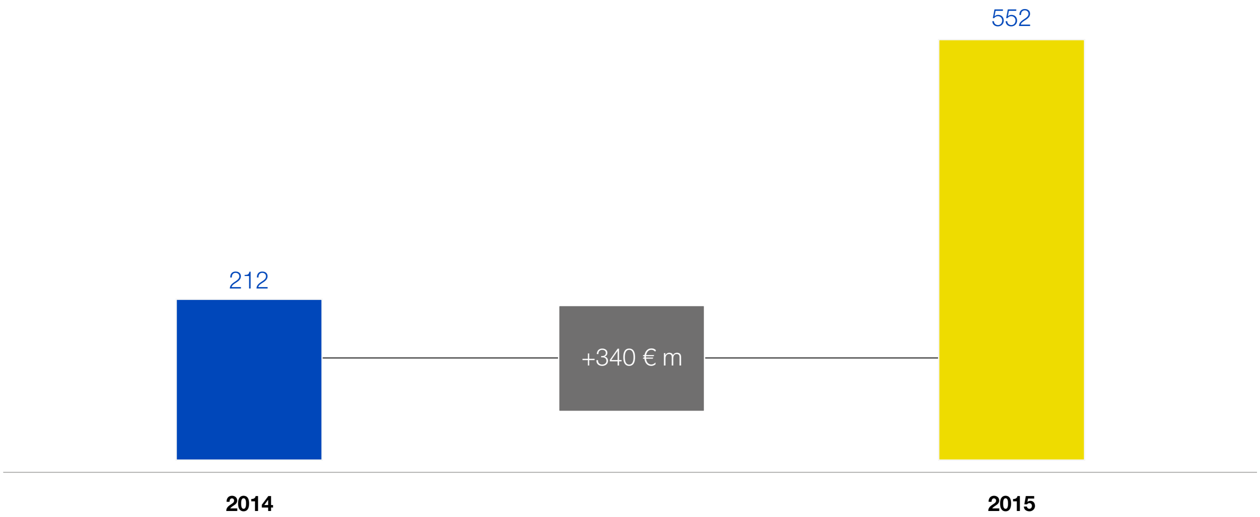
(3) These amounts include both private customer deposits (including the investment of liquidity by Group companies and amounts payable to financial institutions under repurchase agreements), and deposits by the Public Administration.

TOTAL REVENUE BY OPERATING SEGMENT *(€m)*

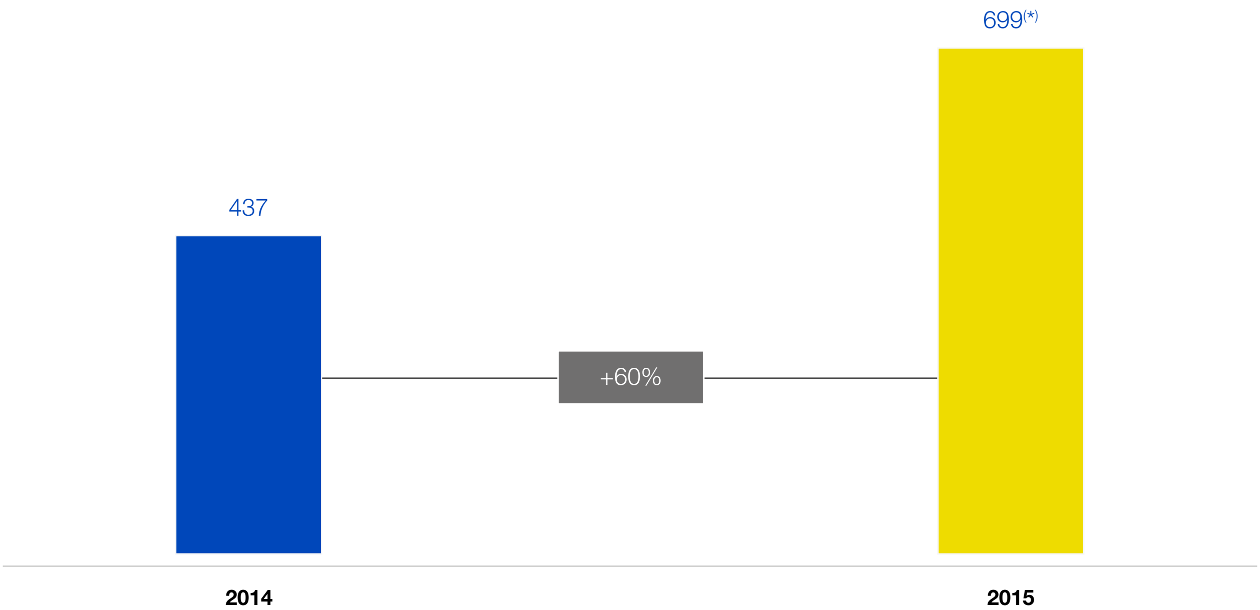




GROUP PROFIT FOR THE YEAR *(€m)*



TOTAL GROUP INVESTMENT *(€m)*



(*) Includes € 210.5 million relating to the acquisition of a 10.32% interest in Anima Holding SpA.

Directors' report on operations for the year ended

31 December 2015

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Summary

DIRECTORS' REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Management and supervisory bodies

Chairwoman

LUISA TODINI

Chief Executive Officer
General Manager

FRANCESCO CAIO

BOARD OF DIRECTORS[1]

Chairwoman	Luisa Todini
Chief Executive Officer and General Manager	Francesco Caio
Directors	Elisabetta Fabri Umberto Carlo Maria Nicodano Chiara Palmieri Filippo Passerini Roberto Rao

BOARD OF STATUTORY AUDITORS[2]

Chairwoman	Benedetta Navarra
Auditors	Maurizio Bastoni Nadia Fontana
Alternates	Manuela Albertella Alfonso Tono

MAGISTRATE APPOINTED BY THE ITALIAN COURT OF AUDITORS TO AUDIT POSTE ITALIANE

Francesco Petronio

INDIPENDENT AUDITORS

PricewaterhouseCoopers SpA

At the meeting held on 10 September 2015, the Board of Directors established 3 Board committees with responsibility for making recommendations and providing advice to the Board. The following committee members were appointed:

Nominations Committee	Remuneration Committee	Audit and Risk Committee
– Roberto Rao – Chairman	– Filippo Passerini – Chairman	– Umberto Carlo Maria Nicodano – Chairman
– Chiara Palmieri	– Elisabetta Fabri	– Chiara Palmieri
– Filippo Passerini	– Umberto Carlo Maria Nicodano	– Roberto Rao

(1) The Board of Directors was elected by the Ordinary General Meeting of 2 May 2014. The number of Directors was increased at the General Meeting of 31 July 2015 which, in keeping with the Company's By-laws, increased the number of Board members in order to add new expertise and capabilities, partly to ensure an adequate composition of the various Board committees. The General Meeting voted to elect seven Board members and proceeded to elect Umberto Carlo Maria Nicodano and Chiara Palmieri, whose terms of office will expire at the same time as those of the existing Directors.
In addition, on 7 August 2015, Antonio Campo Dall'Orto resigned from the Board with immediate effect and, on 10 September 2015, the Board – in accordance with art. 2386 of the Italian Civil Code and art. 14.4 of the By-laws – appointed Filippo Passerini to replace the departing Director. Mr Passerini's election was then confirmed by the General Meeting of 23 September 2015.

(2) The Board of Statutory Auditors was elected by the Ordinary General Meeting of 25 July 2013 to serve until approval of the financial statements for the year ended 31 December 2015.
Following the resignations of the Chairman, Biagio Mazzotta, and the alternates, Roberto Coffa and Patrizia Padroni, the Ordinary General Meeting of 23 September 2015 proceeded to replace the departing auditors, electing Maurizio Bastoni as a standing auditor and two alternates, Manuela Albertella and Alfonso Tono. At the same meeting, Benedetta Navarra was elected Chairwoman.

CORPORATE GOVERNANCE

Poste Italiane has issued shares, listed on the screen-based trading system (*Mercato Telematico Azionario* or "MTA") operated by Borsa Italiana SpA since 27 October 2015. Until this date, the Company was wholly owned by the Ministry of the Economy and Finance (the "MEF").
The corporate governance structure was revised during 2015, in keeping with the recommendations in the Corporate Governance Code for listed companies published by Borsa Italiana, the provisions of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance) where applicable, and the Supervisory Standards issued by the Bank of Italy and applicable to Poste Italiane in view of the unbundled activities conducted by BancoPosta RFC (*Patrimonio destinato BancoPosta*), following the creation of ring-fenced capital attributable solely to BancoPosta's operations with effect from 2 May 2011.
Poste Italiane has adopted a "traditional" governance model, separating the roles of the Board of Directors and the Board of Statutory Auditors. The Company's accounts are audited by an independent firm of auditors. Poste Italiane's financial management is overseen by the Italian Court of Auditors (Law 259 of 21 March 1958); the relevant controls are conducted by a Magistrate appointed by the Court of Auditors, who attends meetings of the Board of Directors and the Board of Statutory Auditors.

The Board of Directors and Board of Statutory Auditors and their respective chairpersons are elected and dismissed by **General Meeting of shareholders**, which is also responsible for determining the related remuneration and for appointing independent auditors. The General Meeting also approves the annual financial statements, amendments to the Company's By-laws and transactions of a non-recurring nature, such as rights issues, mergers and demergers.
The **Board of Directors** consists of 7 members and normally meets once a month to examine and vote on resolutions regarding the operating performance, the results of operations, proposals relating to the organisational structure and transactions of strategic importance. The Board met 18 times in 2015.
Of the 7 members of the Board, 6 are non-executive and of these, 4 meet the requirements to qualify as independent.
In accordance with the provisions of the Italian Civil Code, the Board of Directors has delegated certain executive powers to the Chief Executive Officer and has established three Board Committees to provide recommendations and advice: the Nominations Committee, the Remuneration Committee and the Audit and Risk Committee. The latter committee is also responsible for procedures relating to related parties and associated entities.
The Chief Executive Officer and Chairwoman have completely separate roles and both have the authority to represent the Company; the Chief Executive Officer represents the Company with regard to matters falling within the scope of his authority.
The role of the **Chairwoman** is to lead and oversee the Board of Directors, exercising the powers provided for by law and the Company's By-laws, and those assigned by the Board of Directors' meeting of 7 May 2014.
The ***Chief Executive Officer*** *and* ***General Manager***, to whom all key departments report, has, again on the basis of the Board of Directors' resolution of 7 May 2014, full powers for the administration of the Company across the organisational structure, unless otherwise provided for by law and the Company's By-laws and with the exception of the powers reserved to the Board of Directors.
The **Board of Statutory Auditors** in office has 3 standing members and 2 alternates elected by General Meeting of shareholders. The Board verifies compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality. The Board has also been designated to serve as the Supervisory Board pursuant to Legislative Decree 231/01.
The Board of Statutory Auditors met 20 times during the year, including in its role as Supervisory Board. It held a further 2 meetings exclusively in its role as Supervisory Board.
The audit firm, PricewaterhouseCoopers SpA, has been appointed **to audit the Company's accounts** for the period 2011-2019. The appointment was made in conformity with Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts").

With regard to the **governance system adopted by BancoPosta RFC**, the rules governing the organisation, management and control of BancoPosta's operations are contained in the specific BancoPosta RFC Regulations approved by the Extraordinary General Meeting of 14 April 2011 and amended by the Extraordinary General Meeting of 31 July 2015.
As a result of the new Supervisory Standards applicable to BancoPosta RFC, issued by the Bank of Italy on 27 May 2014, Poste Italiane, in conducting BancoPosta's activities, is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity.

Further information regarding the corporate governance structure is provided in Poste Italiane's "Report on Corporate Governance and the Ownership Structure", approved by the Board of Directors and published in the "Governance" section of the Company's website.

2 Mission and key aspects of strategy

Poste Italiane aims to be a driving force for inclusive development in Italy, helping citizens, businesses and the Public Administration through the transition to a digital economy by offering high-quality, simple, transparent and reliable services.

During the year just ended, which witnessed the admission to listing of Poste Italiane SpA's shares on the screen-based trading system (*Mercato Telematico Azionario* or "MTA") operated by Borsa Italiana SpA, the Poste Italiane Group was heavily engaged in implementing its Business Plan for the period 2015-2019. The Plan reflects the Group's goal of driving the country's growth through the development of its business: Letters and Parcels, Financial Services and Insurance Services. The aim is to do this by leveraging its strengths in terms of human resources, multi-channel network and technology platforms.
The steps to be taken to achieve the targets set out in the Plan regard all the above aspects. An action plan, focusing on business processes and on the Group's physical and technology assets, has been drawn up and is being implemented.

During 2015, the **Postal Services segment** focused on transformation of the delivery model and the letters offering and on initiatives designed to support growth in the parcels market. This included:

- the start-up of work on re-engineering network logistics, with the aim of revisiting the delivery model and trialling the new setup;
- the introduction of new technologies enabling the automation of letter tracking and sorting processes.

The Group's strategies in **Financial Services** aim to consolidate profitability through:

- targeted initiatives aimed at high-potential customers;
- implementation of the new retail services model at 900 post offices;
- a revamped range of loan products.

The following developments took place in the **Asset Management and Insurance Services** segments:

- the acquisition of 10.3% of Anima Holding SpA, with the aim of developing new savings products;
- expansion of the offering of protection and welfare products (pensions, assistance, healthcare), focusing above all on health insurance, with the acquisition, by the subsidiary, Poste Vita SpA, of SDS System Data Software Srl.

As noted above, these actions were accompanied by staff development initiatives. This involved a specific training programme, including the launch of the new Corporate University, using a multi-channel approach and technology platforms. The aim is to improve the customer experience in both physical and digital sales channels, introducing new technologies in post offices (e.g., free Wi-Fi and a new queue management system) and rethinking the way that the Group's customers interact with digital platforms (e.g., the launch of the new website, the Post Office app and the BancoPosta app).

3 Group organisational structure

1 Mail and Logistics

Mail, express courier, logistics and parcels, philately and activities carried out bu the various business areas of the **Parent Company** for the other business segments. Includes also the following companies:

Postel, SDA Express Courier, Mistral Air, EGI, Postecom, Postetutela

2 Financial Services

BancoPosta

Provides current accounts and payment services, investment products and third parties financing services. Includes also the following companies:

BancoPostaFondi SGR, Banca del Mezzogiorno

3 Insurance Services

Sale of both life insurance products under classes I, III, IV and V through Poste Vita, and since 2010 of non life insurance products through Poste Assicura

Postevita, Posteassicura

4 Other Services

Activities carried out by Poste Mobile (MVNO and Group telecom infrastructure manager)

Poste mobile

The Group's operations are divided into four operating segments: Postal and Business Services, Financial Services, Insurance Services and Other Services, which are managed by dedicated Group functions and/or companies. The organisation is also based on two distribution channels for retail customers, on the one hand, and business and Public Administration customers, on the other. These channels operate alongside a series of Corporate functions responsible for policy, governance, controls and the provision of services supporting business processes.
The organisational model, which ensures the development of synergies within the Group as part of an integrated approach to operations, is applied via governance and operating models, characterised by:

- coherent and integrated management of the Group, ensuring a uniform and coordinated approach to the market, whilst taking into account the central importance of customers and exploiting potential synergies, assigning responsibility for coordinating subsidiaries to the relevant functions within the Parent Company according to business sector;
- an organisational structure focused on the core businesses: postal logistics, finance and insurance;
- Corporate functions capable of ensuring, through coordination and integration of their respective areas of expertise, coherent fulfilment of their assigned roles at Group level and the provision of shared services closely aligned with business needs, thus guaranteeing efficiency, economies of scale, quality and effective support for the different businesses.

It should be noted that, as of 2016, following organisational changes that will be described below, the allocation of certain companies to the related operating segments will be modified. Specifically, BancoPosta Fondi SpA SGR, which is currently allocated to the Financial Services segment, will form part of the Asset Management segment, now called Insurance Services, while Poste Tributi ScpA, which is currently allocated to the Postal and Business Services segment, will join the Financial Services segment.

POSTAL AND BUSINESS SERVICES

Postal and Business Services include the letter post, express delivery, logistics, parcels and philately activities carried out by Poste Italiane SpA and certain subsidiaries, in addition to the activities conducted by various units of the Parent Company for BancoPosta RFC and the other segments in which the Group operates.
Legislative Decree 58/2011 provides that Poste Italiane SpA is the universal postal service provider for fifteen years from 30 April 2011. The efficiency of provision of the service is verified every five years by the Ministry for Economic Development, based on an assessment performed by the regulator (AGCom – the Italian Communications Authority). Letter post includes Poste Italiane SpA's traditional postal services, direct marketing and innovative services for paper-based as well as electronic communications in addition to e-Government services. Postel SpA provides communications services to businesses and public entities, offering a full range of services including mass printing and enveloping, electronic document management, direct marketing and commercial printing.
The Express Delivery and Parcels 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. SDA also provides its customers with integrated solutions for distribution, logistics and catalogue sales. The provision of standard parcel services falls under the Universal Service obligation (USO).
Consorzio Logistica Pacchi ScpA supplements and oversees the activities of consortium members (Poste Italiane SpA, SDA Express Courier SpA, Postel SpA and Mistral Srl) relating to: the collection, sorting, transport, processing and delivery of parcels; integrated logistics and storage activities; handling and transport (by land and/or air) of postal items; printing and enveloping; Electronic Document Management; e-procurement.
With the aim of creating a single document management hub, as well as consolidating all integrated logistics activities at SDA, with the creation of a technical courier expertise centre that takes advantage of synergies between Italia Logistica's technical expertise and SDA's transport network, the following initiatives were implemented:

- on 18 February 2015, PostelPrint SpA acquired 20% of Consorzio Logistica Pacchi ScpA from SDA Express Courier SpA;
- on 31 March 2015, Postel SpA signed an agreement to acquire Italia Logistica Srl's[1] "Physical Document Management" business unit, with effect from 1 April 2015;
- on 30 April 2015, PostelPrint SpA was merged with and into Postel SpA. For tax and accounting purposes, this transaction was effective from 1 January 2015;
- on 26 May 2015, a deed was signed to merge Italia Logistica into SDA Express Courier. For tax and accounting purposes, this transaction was effective from 1 June 2015.

PosteShop SpA sells various types of product to retail customers through dedicated channels (the website www.posteshop.it, paper catalogues and periodic flyers). In 2015 the company was engaged in finalising initiatives aimed at rationalising its operations ahead of the merger with and into Postel SpA, approved in December 2015. For tax and accounting purposes, this operation will be effective from 1 May 2016.
Postecom SpA develops and manages information systems, primarily for Group companies, for the purposes of implementing the digital transformation. The main areas of specialisation relate to digital communication and certification services, payments and e-commerce, and e-Government projects, especially regarding healthcare and local taxation.

As noted previously, there are a number of Group companies that provide support services for letter post, 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 its postal service operations, in addition to air freight and passenger services for other customers.
Europa Gestioni Immobiliari SpA (EGI) operates in the real estate sector, managing and developing properties through urban and property redevelopment, with a view to their commercialisation (leases and sales). Due to the nature of the properties, the service is mainly provided to large customers, often public entities. The company also offers property management services to Group companies and external customers.
Poste Energia SpA procures energy for the Poste Italiane Group, acting as a wholesale purchaser, and deals with energy saving projects for Poste Italiane SpA.

(1) Italia Logistica Srl provides integrated logistics, document management and technical courier services (logistics management and the installation and maintenance of electronic equipment, primarily for work stations) for Group companies and external customers.

With a view to bringing property management and energy procurement under the control of a single company and combining EGI's know-how with Poste Energia SpA's expertise in rationalising and optimising electricity procurement, the following took place in 2015:

- on 6 October 2015, Poste Italiane SpA transferred its 100% interest in Poste Energia SpA to EGI SpA;
- on 3 December 2015, Poste Energia SpA was merged with and into EGI SpA. For legal, tax and accounting purposes, the transaction was effective from 31 December 2015.

PosteTutela SpA offers secure funds logistics services (transport, escort, custody, currency counts), fixed and mobile security, as well as all types of surveillance and protection of sensitive data. These services are provided to Poste Italiane's operating units and customers outside the Group, for whom it primarily carries out the movement of cash and valuables.
PatentiViaPoste ScpA is a not-for-profit, joint-stock consortium that serves as a jointly owned vehicle for its shareholders (Poste Italiane SpA, Postecom SpA, Dedem Automatica Srl and Muhlbauer ID Services GmbH) in managing and fulfilling the contract regarding the centralised printing, distribution and delivery of European driving licences and vehicle registration certificates.
The not-for-profit consortium, **PosteMotori**, serves as a jointly owned vehicle for its shareholders (Poste Italiane, Postecom, KPMG Advisory SpA and Integrazioni & Sistemi) in managing and fulfilling the contract regarding management and remittance services for payments, by road users, for the services provided by the Department of Transport.

FINANCIAL SERVICES

The Financial Services segment primarily regards the BancoPosta RFC offering, which is regulated by Presidential Decree 144 of 14 March 2001, as amended. These activities include: management of private and Public Administration customer deposits and the related investment, postal savings deposits issued by Cassa Depositi e Prestiti (Savings Books and Interest-bearing Postal Certificates), collection and payment services, the sale and distribution of financial products issued by banks and other finance companies authorised to provide investment services, and electronic money services via the issue of debit and prepaid cards.
The BancoPosta function, partly by coordinating the operations of a number of Group companies and without affecting the operational autonomy of these companies, in compliance with the relevant legal and regulatory requirements, is responsible for creating, designing and managing the Group's financial product and service offerings, as well as checking the compliance of insurance products. In addition, the function is responsible for processing the related products and services, partly through the coordination of local operating centres, including:

- three Unified Service Automation Centres, where the payment slips for bills paid at post offices are processed;
- two Centres for the processing of cleared cheques;
- two Multi-service Centres located in Turin and Ancona, which carry out certain back-office processes (fraud analysis and management, credit checks, the management of payment orders for legal and other expenses, as well as postal savings products).

The activities of the segment also include the management of public funds carried out by Banca del Mezzogiorno – MedioCredito Centrale SpA, the promotion of mutual funds carried out by BancoPosta Fondi SpA SGR, and the distribution of asset management products by Anima Holding SpA, an independent asset manager. Poste Italiane acquired a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) on 25 June 2015 for a total consideration of €210.5 million, equivalent to a price of €6.80 per share. This is broadly in line with the average market price of the investee's shares on the Milan Stock Exchange during the month prior to the agreement, executed on 14 April 2015. The agreement will also result in Poste Italiane's inclusion in the shareholders' agreement that BMPS has previously entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the investee.
The transaction is highly significant and confirms Poste Italiane's commitment to the asset management sector, which is one of the strategic pillars underpinning the Group's Business Plan.

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**. The Group operates in the life and non-life insurance business.

Given the strategic objective of broadening the group's offering of health insurance for individuals and groups of people, on 4 November 2015 Poste Vita SpA completed the acquisition of a 100% interest in **S.D.S. System Data Software Srl**, which in turn owns a 100% interest in **S.D.S. Nuova Sanità Srl**. The SDS group provides services and manages claims on behalf of, among others, private health funds that offer private health cover (above all the Fasi and Faschim funds). The group also designs, develops and maintains management software and provides IT services for businesses.

OTHER SERVICES

The Other Services segment includes **Poste Mobile SpA** and **Consorzio per i Servizi di Telefonia Mobile ScpA**.

PosteMobile is the Group's mobile operator which, in keeping with its planned development, has gradually switched from being an Enhanced Service Provider (or ESP) to operating as a Full MVNO (a Full Mobile Virtual Network Operator).

Consorzio per i Servizi di Telefonia Mobile ScpA is responsible for providing Poste Italiane with electronic communications networks and the related platforms, systems and terminals, by coordinating, organising and managing the resources, equipment and people made available by consortium members. The consortium is also responsible for supplying the related mobile, fixed-line, integrated and value added services.

ADDITIONAL INFORMATION

On 16 April 2015, with the aim of promoting and developing a systematic presence, at national and local level, in support of social inclusion and solidarity initiatives, the not-for-profit organisation, **Fondazione Poste Insieme Onlus**, of which Group companies are members, was established with start-up capital of €1 million provided by Poste Italiane SpA.

The Foundation will also benefit from operating funds of €1 million per year to carry out projects relating to health and social services, charity, education, amateur sport and the protection of the civil rights of the disadvantaged and needy, with particular reference to children and young people, equal opportunities, families, the disabled and the elderly.

The decision to set up a foundation stems from a desire to make the use of the Company's resources in the social sphere more efficient and rational, by avoiding duplication and fragmentation, encouraging non-profit organisations to play an proactive role, supporting the creation and development of volunteer networks within Group companies, and fostering joint participation and involvement by customers and citizens.

In July, once the board of directors was in place and the organisation had received legal recognition from the competent prefecture, the Foundation presented its first two initiatives, comprising the setting up of the first safe house for mothers in prison with children in Rome, and a prevention programme to combat irregular school attendance and drop-out rates.

Another 123 project proposals were received during the first few months of the Foundation's operations, and 16 new projects, aimed at children, families and the elderly, were presented in February 2016. This outcome highlights Poste Insieme's capacity to activate a process of involvement and participation by staff members and local and national non-profit organisations, in confirmation of Poste Italiane's commitment to families and local communities and its widespread capacity to respond to their social needs.

DISTRIBUTION CHANNELS

The Group has an integrated, multi-channel distribution network, which serves the country's entire population via a physical network of post offices and staff on the ground and a virtual infrastructure with state-of-the-art multimedia channels.
The **Private Customer** function manages the commercial front end and back office activities (pre- and post-sales support) for the Private Customer, SME and the Local Government segments for which it is responsible, as well as overseeing the development of philately products, their distribution and marketing.
The organisation of the commercial network and related operational support processes breaks down into three levels:

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

In continuation of the rationalisation process, the number of post offices was reduced in 2015 from[(2)] 13,233 at 31 December 2014 to 13,048 at 31 December 2015.

	At 31 December 2015		At 31 December 2014	
	Number	Workforce	Number	Workforce
Private Customer Area Offices	9	2,196	9	2,235
Branch offices	132	3,876	132	3,773
Post offices	13,048	58,875	13,233	59,589

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

Back-office activities are partly carried out at post offices, and partly at 15 specialist service centres (Centralised Service Teams) spread around the country which are the sole point of reference for post offices with regard to such activities[(3)], handling both Private Customers and business customers.
Projects launched in 2014 were continued and new initiatives were defined in line with the organisational developments and corporate objectives provided for in the Business Plan.
The main initiatives regarded**:**

- implementation of the "new retail service model" at 900 post offices, which provides for a more focused approach to customers with the introduction of consultants specialised in terms of target customers, and a new staff role dedicated to welcoming and guiding customers inside post offices. At central level, commercial coordination of post offices affected by the new service model and also of the financial promoters' network, was established;
- continuation of the initiative launched in previous years with a view to strengthening the network of Specialist Commercial Financial Promoters (206 at 31 December 2015), who are responsible for promoting and selling certain investment products and services, with a view to increasing market share and developing retail segment opportunities;
- regarding Customer Services:
  - in relation to the Centralised Service Teams, the development of specialist expertise at the various sites was fine-tuned and anti-money laundering initiatives were strengthened, partly in order to comply with Bank of Italy regulations. Business segment services were also boosted, including via the definition of dedicated post-sales initiatives together with establishment of the role of post-sales advisor;
  - service quality improvement also continued at Contact Centres, by bringing them into line with the standards applied by key players through the introduction of roles with responsibility for coordination and on-the-job training;
- Corners, staffed by dedicated specialists in non-life insurance products, continued to be launched, with a view to ensuring an adequate market presence. At 31 December 2015, the number of Corners in operation stood at 59;
- in the Philately segment, 7 Spazi Filatelia shops were reallocated to the nearest local Branch, in order to provide a more comprehensive and rapid response to network and the related customer requirements.

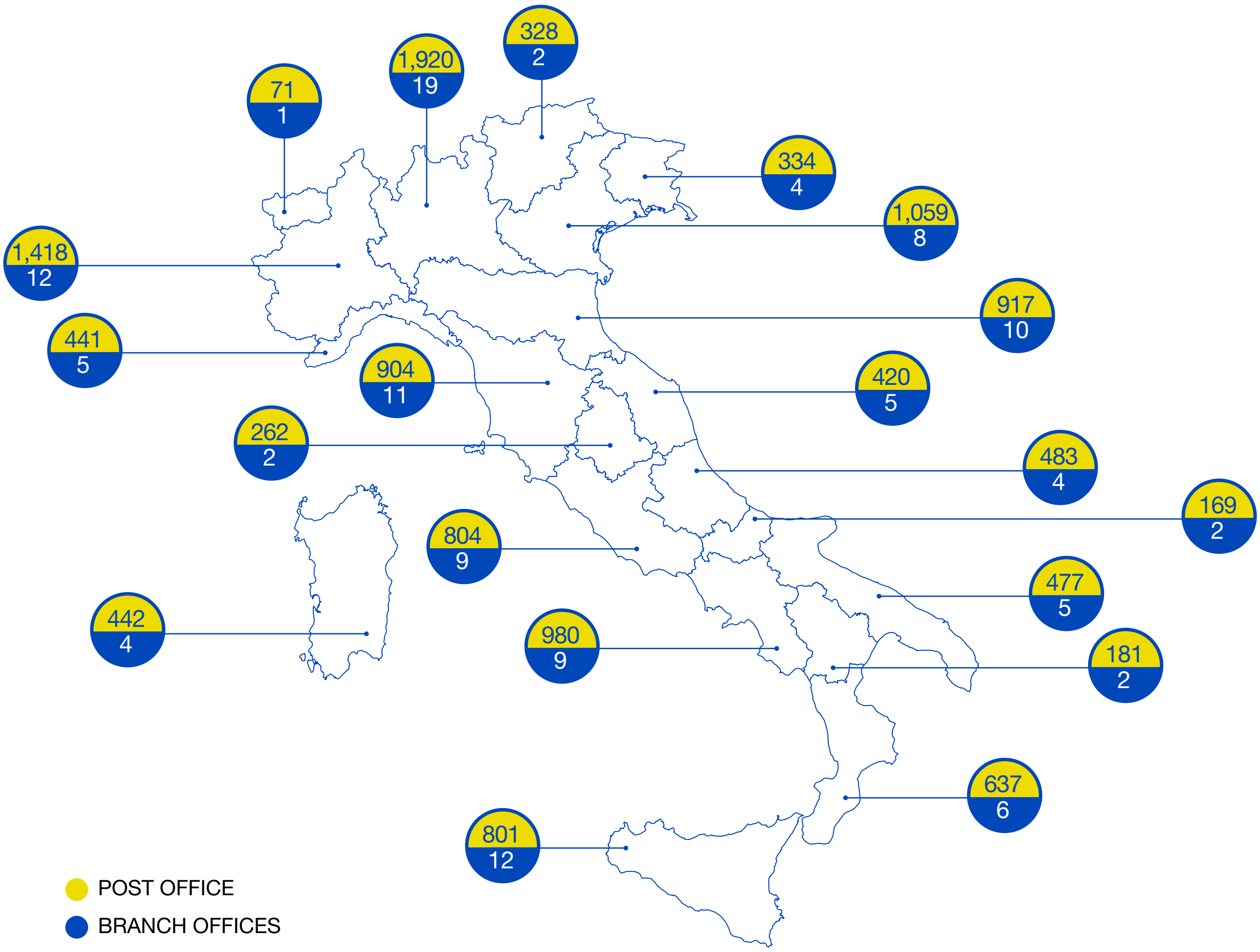
(2) The rationalisation of the post office network, aimed at reducing universal service provision costs, is being carried out in accordance with the criteria laid down by the Ministerial Decree of 7 October 2008 and AGCom Resolution 342/14/CONS.

(3) This regards the processing of certain products and services, such as current accounts, financial products, probate issues, and money laundering prevention requirements.

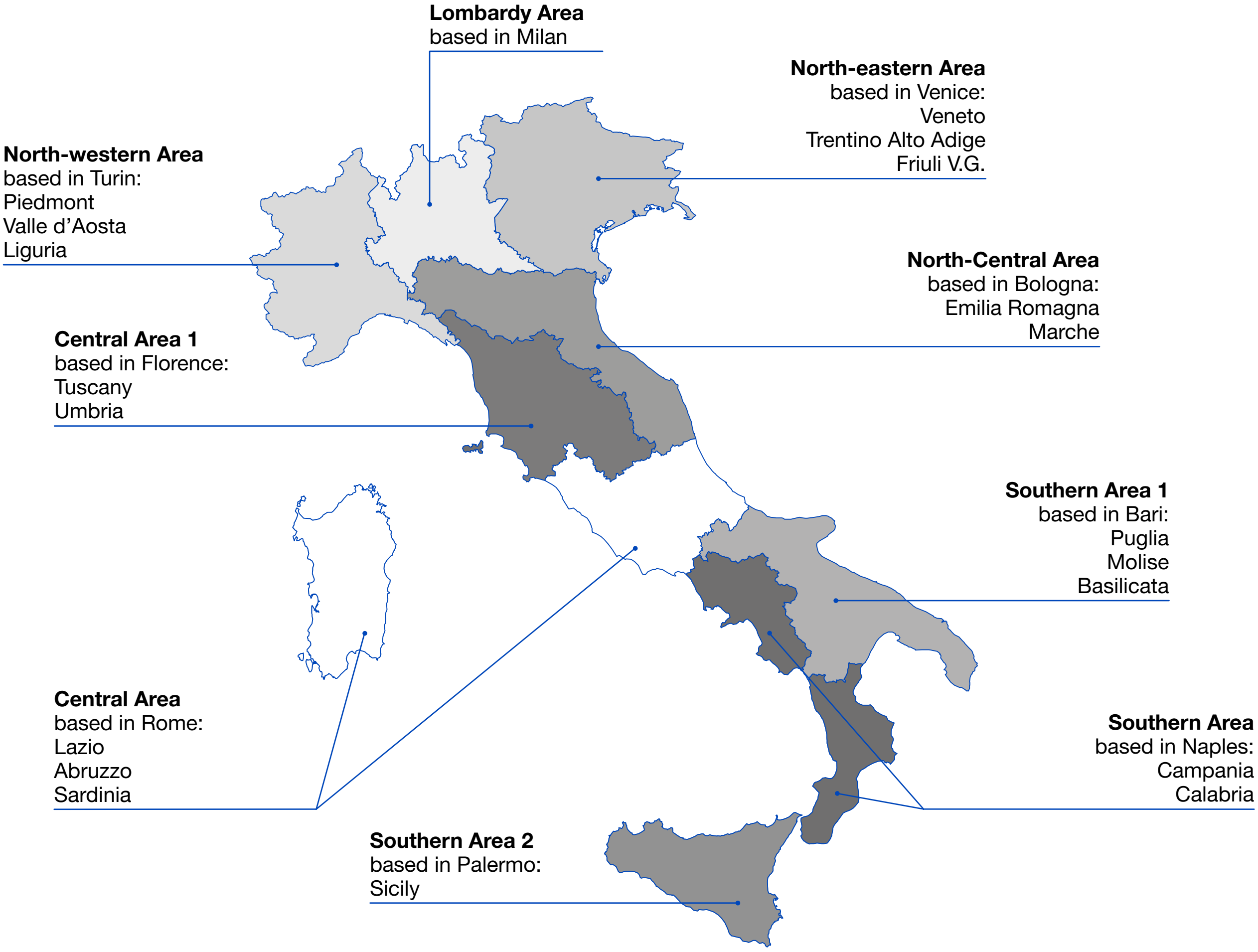
Moreover, in terms of SMEs and local government customers, the new business customer management model introduced in 2015 provides for the phasing out of business post offices via targeted actions based on their relevance in terms of sales and transactions. This review has resulted in 14 closures, 72 conversions to retail post offices and 162 mergers with neighbouring retail post offices.
At the same time, the role of business consultant was created to operate within post offices, with the aim of developing new business with this customer segment.
At highly complex Branches, the Business Commercial function has been established to provide direct support to specialists and an interface between the post office sales network and Area Offices.
Consequently, the commercial coordination model dedicated to this segment was also revised at Area Office level, in line with the changes that have taken place.
In addition, in compliance with Bank of Italy regulations, a specialist role focusing on BancoPosta products was established for door-to-door selling.
Finally, in order to make business customer management more effective and maximise commercial efficiency, customer segmentation was revised, resulting in a new distribution of customers among the Private Customer and the Business Sales and Public Administration functions. This reconfiguration specifically focused on two aspects:

- Local Government customers were brought under the umbrella of a single unit within the Business and Public Administration function;
- business customers were subdivided and allocated to the two functions based on the customer's size.

GEOGRAPHICAL DISTRIBUTION OF POST OFFICES AND BRANCH OFFICES



GEOGRAPHICAL DISTRIBUTION OF AREAS



The Business Sales and Public Administration function is responsible for commercial operations and sales of Group products and services regarding large companies, commercial partners and Central and Local Government.
The business model is based on approaches that differ in terms of the characteristics of the sectors in which customers operate, and the actual and potential value of the various identified customer targets.
Specifically, the model provides for:

- central and local management specialised by sector, aimed at maximising the effectiveness of marketing via specialisation of the sales force and the provision of pre- and post-sales processes in line with this customer type;
- development of relations with prospective customers through activation of an indirect sales channel in addition to the direct network;
- central management dedicated to the identification and implementation of commercial partnerships, aimed at customer development;
- five Area Offices (Lombardy and Northwest, Northeast, North-Central, Central, South), each responsible for commercial operations in their own area, via management of the local sales force and the implementation of marketing initiatives designed to target the different customer segments.

The Mail, Logistics and Communication function aims to bring all areas of business relating to the postal, logistics and communications services provided by the Group under one roof. This function is responsible for end-to-end management of operating processes, development and management of the offering and the activities involved in its supply.
The initiatives implemented during 2015 regard consolidation of the function's organisational structure, the completion of initiatives launched in previous years, and adaptation to changes in the regulatory framework, with the trial of new mail handling and delivery procedures.

The logistics network[4] is locally organised on two levels: the first deals with coordination and is represented by Area Logistics Offices with responsibility for one or more regions; the second is operational and includes sorting centres (mechanical and manual) and distribution centres (Delivery Offices).

	At 31 December 2015		At 31 December 2014	
	Number	Workforce	Number	Workforce
Area Logistics Offices(*)	9	2,428	9	2,517
Sorting Centres	16	8,164	18	8,818
Priority Centres	7	906	5	602
Logistics support	2	265	2	284
Delivery Offices(**)	2,372	43,601	2,412	44,968

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

(*) The geographical distribution of Offices at 31 December 2015 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 33,523 postmen and women and delivery supervisors (34,876 at 31 December 2014).

In terms of initiatives designed to improve the quality performance, a quality dashboard was introduced. This enables all the most important service provision processes to be monitored, with each process having its own specific indicators in order to assess the performances of the organisation as a whole and of each organisational unit (Distribution Centre/Primary/Secondary/Decentralised Distribution Centres) in terms of their assigned targets. Other initiatives were also launched, on a trial basis, to support the management of undelivered items. In particular, the "Digital signature for postmen and women" project was launched with the aim of improving customer care, efficiency and response times, whilst also helping in the gradual elimination of paper receipts.
In the second half of 2015, following authorisation by the regulator and the agreement with the labour unions of 25 September 2015, alternate day delivery was launched on a trial basis at 19 Distribution Centres in "unregulated" and "regulated" rural areas.
As part of the process of rationalising sorting activities, automated walk-sequencing was trialled at the Bologna sorting centre, using existing sorting equipment together with latest generation equipment.
Regarding the Parcel Logistics Integration Plan, the insourcing of activities was completed in relation to the delivery of Poste Italiane branded parcels (ordinary parcels and Paccocelere 3 parcels weighing up to 5 kg) by postmen and women. To this end, the corporate fleet of vehicles was expanded, with a total of 335 four-wheeled vehicles, and the trial of automated parcel sorting at sorting centres, using special semi-automatic equipment (2,650 Promopacco trolleys and 608 wheeled containers) was completed.
The application of new rates on 1 October 2015 saw the introduction of the Posta 4 product for retail customers, leading to lower priority volumes of mail. This has enabled a reduction in airmail routes from 9 to 6.
In October 2015, the process of integrating the primary transport networks used by Poste Italiane and SDA Express Courier began. The new operating model will provide for a shared and integrated transport process, aimed at maximising vehicles' transport capacity and guaranteeing current levels of service, whilst cutting costs. Development of the network will also guarantee the interoperability of the logistical platforms (HUB), as well as flexibility in adapting to the development of the logistics and production network structure and the volumes to be handled.
The process of reorganising the Logistics Network in accordance with the National Agreement of 28 February 2013, with regard to the former Postal services, entailing conversion of the Brescia and Venice sorting centres into Priority Centres, was finally completed. At the same time, the process of transferring sorting machinery continued, with the aim of redistributing capacity among the Logistic Network hubs, following the rationalisation of sorting centres. This has resulted in changes in the relevant areas.

(4) The logistics process covers receipt, collection, transport, sorting and delivery.

DISTRIBUTION OF AREA LOGISTICS OFFICES

DISTRIBUTION OF POSTAL NETWORK CENTRES

	Sorting Centres	Priority Centres	Logistics Support
Piedmont – V. Aosta – Liguria	2	1	–
Lombardy	2	1	–
Triveneto	2	2	–
Emilia Romagna – Marche	2	–	–
Tuscany – Umbria	1	2	–
Lazio – Abruzzo – Molise – Sardinia	2	1	2
Campania – Calabria	2	–	–
Puglia – Basilicata	1	–	–
Sicily	2	–	–
TOTAL	**16**	**7**	**2**

MULTI-CHANNEL STRATEGY

The numerous contact points include: Counters, Consulting Rooms, the Business Sales Force channel, financial promoters, PosteMobile corners and insurance corners, Contact Centres, electronic postmen, the website www.poste.it, and the more innovative social networks.
Sales and contact channels for retail customers and Small and Medium Enterprises (SMEs) are supervised by the Private Customer function, which coordinates the network of post offices and contact centre services.
The Business Sales and Public Administration function is responsible for managing and developing business with Large Accounts and Central and Local Government customers.

In the retail customer and SME segments, activities aimed at making organisational and commercial management more effective continued. To this end, as explained in the section, "Distribution channels", the "new retail service model" was implemented and the network of Specialist Commercial Financial Promoters strengthened (206 promoters at 31 December 2015, compared with 129 at 31 December 2014).
Regarding the post office network, 6,318 Consulting Rooms were in operation at 31 December 2015, including 900 with staff dedicated to affluent customers, 159 with staff specialising in financial products and 47 with staff with expertise in insurance products.
At 31 December 2015, more than 3,800 post offices with Consulting Rooms catered for dematerialisation of contracts and financial transactions. In another 4,000 post offices, which are primarily one-person offices, dematerialisation of the main over-the-counter financial transactions has been provided for. Moreover, in order to simplify the commercial offering and the sale of financial services, the "New Savings Book Front-End" and "New Postal Certificate Front-End" applications, enabling automated management of the procedure for opening a Savings Book, ancillary services and the issue of Interest-bearing Postal Certificates, were introduced at all post offices.
The "New Commercial Front-End" application was upgraded with new functions. In operation across the entire post office network at 31 December 2015, this application provides tools for appropriate customer management regarding the BancoPosta Più and BancoPostaClick current accounts (opening, migration and upgrade).
Extension of the national ATM network, comprising 7,235 machines at 31 December 2015 (compared with 7,174 at 31 December 2014) continued, and new separate Postamat windows were created at some post offices (2,808 at 31 December 2015, compared with 2,759 at 31 December 2014), with a total of 3,920 counters dedicated to BancoPosta account holders (3,899 at 31 December 2014).
The new queue management system, which has simplified the process by which customers book the service they require, was installed at 720 post offices. The new technology infrastructure, using centralised architecture, enables the provision of a wide range of highly innovative services to customers, based on a multi-channel approach. Counter operations may also be booked by smartphone using a free app. In addition, BancoPosta account holders, savings book card holders and business customers may book services at a post office by inserting their personal electronic card into the queue manager.
At 917 post offices, a free Wi-Fi service has been made available to customers.

The network of PosteMobile corners was also further expanded (339 at 31 December 2015, against 319 at 31 December 2014), as was the number of insurance corners (59 at 31 December 2015, compared with 41 at 31 December 2014).

In 2015, the "Poste Risponde" Contact Centre handled more than 22 million contacts (21.9 million in 2014), of which over 91% for the captive market.
The main services provided in support of internal Group activities relate to: retail customer relationship management for financial, insurance and postal products and internet-related matters, and business customer relationship management regarding financial, letter post and parcel products and internet-related matters; assistance to the post office network and the Business sales force with enquiries regarding regulations, operations and product and service support; after-sales services and assistance to post offices regarding Poste Vita and Poste Assicura and PosteMobile products; and customer care regarding PosteShop products.
With regard to financial services, the number of dedicated advisors was increased and new contact methods (via the BancoPosta app and private messaging on the Postepay fan page) were introduced. In addition, with the aim of improving the quality of service provided, automated customer satisfaction surveys were launched in September.
In 2015, the provision of services aimed at simplifying relations with the general public and the Public Administration continued via the **Sportello Amico** network, including: local tax collection services; payment for healthcare services, which is also available at post offices outside the Sportello Amico network and regarding which agreements were entered into with other healthcare providers; the issue of birth, death and other certificates, and INPS statements (available throughout the network); and the issue of land registry documents. The delivery of Carta Acquisti (Social Cards) to EU and non-EU citizens[(4)] and the home delivery of passports also continued.
Regarding customers from non-EU communities, who are mainly reside in certain cities, the number of mono and/or multi-ethnic post offices was increased. In these post offices, counter staff and consultants speak the languages of the various ethnic groups present. At 31 December 2015, this service model is operating in 18 post offices, including 2 mono-ethnic and 16 multi-ethnic post offices (one mono-ethnic and two multi-ethnic post offices at 31 December 2014).

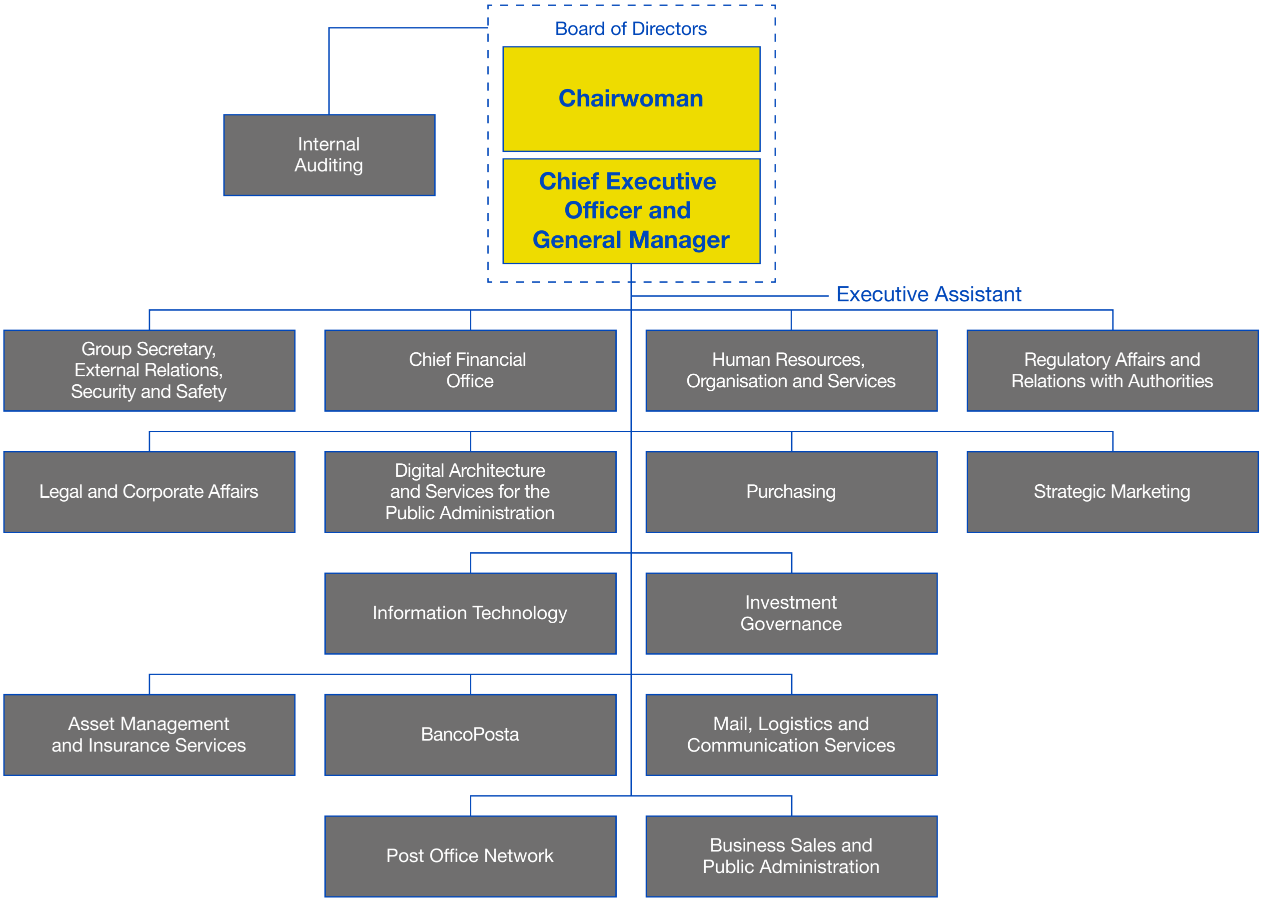
The web distribution channel, run by Postecom via the website www.poste.it and other dedicated web portals, provides access to online services for around 10.7 million[(5)] retail and business customers (9.3 million at 31 December 2014), operating as a direct end-to-end sales channel and as a support provider for other channels.
As well as providing ongoing maintenance for the portal, Postecom has implemented a series of initiatives aimed at improving the Group's online offering. In particular, the Poste.it and Postepay.it websites have benefited from restyled graphics and new functions, aimed at making it easier for users to browse when on the move thanks to responsive design[(6)]. The Postevita.it website also benefitted from new graphics designed to enable browsing when on the move, and the PosteID number management service was rolled out.

(4) Service provided for by Law 147 of 27 December 2013.

(5) The figure refers to registered and active users.

(6) Responsive web design (RWD) refers to web design technology for building websites with graphics that automatically adapt to the device on which they are being viewed (computers with different resolutions, tablets, smartphones, mobile phones, web TV), thus reducing the need for users to resize and scroll through content.

ORGANISATIONAL STRUCTURE



Initiatives were implemented in 2015 to complete the development of the Group's organisational and operating model, in line with the strategy and the targets set out in the Business Plan. This model has created the right conditions for the Group to act as an integrated whole, thus enabling synergies to be obtained through industrial integration. This has resulted in a greater focus on core businesses, whilst, at the same time, ensuring efficiency and quality.
Via this approach, management of the three areas of business – post and logistics; banking, savings and payments; insurance – is carried out, respectively, by the Mail, Logistics and Communication Services, BancoPosta and Asset Management and Insurance Services functions. The latter function was set up in December 2015, with a view to further developing asset management and insurance products and strengthening the Group's asset management business, partly through coordination of the Poste Vita Group and BancoPosta Fondi SpA SGR, and by taking advantage of the interest acquired in *Anima Holding* SpA.
The main initiatives implemented during 2015 include:

- setting up of the Digital Architecture and Services for the Public Administration function, which focuses on managing digital architecture innovation issues in Italy, as part of the current process of modernising public service provision to make it faster and more efficient;
- creation of the Group Secretary, External Relations, Security and Safety function, which was assigned responsibility for all external communications, public affairs, regulatory matters and security and safety.

In addition, the Legal and Corporate Affairs function was established in January 2016, aimed at bring together the management of legal and corporate governance matters, and thereby obtaining operating synergies in business support activities.

Other initiatives regarded improvements to the operating model for the main corporate functions, including:

- the definition and structuring of the Mail, Logistics and Communication Services function, taking an integrated approach to planning and management of the logistics process overseen by the function and the related companies, while also strengthening the focus on ongoing improvements to service quality and the commitment to product and service development in line with customer and market requirements;
- review of the organisational structure of the BancoPosta function, in accordance with the supervisory regulations issued by the Bank of Italy and applicable to BancoPosta RFC, and in line with business needs, resulting in the establishment of marketing strategies defined on the basis of both product and customer segment;
- revisitation of the organisational structure of the Private Customer and Business Sales and Public Administration distribution channels. In the latter case, the new business model provides for the establishment of central and local teams specialising in the various industrial sectors and, in the case of affluent customers, dedicated, specially trained account teams, including sales staff, as well as pre- and post-sales specialists. During the year, in order to ensure more effective management of business customers, the areas of responsibility of the two channels were reconfigured, based on the customer segments managed, with particular reference to Local Government and small businesses, entailing the reallocation of sales staff in line with the new areas of responsibility defined;
- the restructuring of the Chief Financial Office, in order to step up oversight of the various aspects involved in financial management and financial reporting, as well as to establish a reference point for relations with the financial community and implement transactions aimed at improving the Group’s operating performance, partly in the light of the privatisation process completed during the year;
- redefinition of the Internal Auditing function to strengthen relations with other entities forming part of the internal control system at Group level, thus providing a single interface with corporate bodies and greater specialisation among auditing functions on a process-by-process basis.

4 Group financial review

MACROECONOMIC ENVIRONMENT

The global economy continued to grow in 2015, despite a slowdown compared with the previous year on the back of a decline in international trade. In particular, the slowing Chinese economy put a brake on trade, above all for energy and commodity producing countries. There continues to be considerable uncertainty over the timing and strength of the future recovery, resulting in a high degree of volatility on international financial and currency markets.

The stronger US dollar, slowing economic activity in importing countries and excess supply have helped to drive down commodity prices, giving added impetus to a redistribution of purchasing power internationally, with net importing countries enjoying an increase, whilst commodity exporters have seen a reduction.

Among the advanced economies, the USA and UK recorded their seventh consecutive year of growth in 2015 and, in December, the Federal Reserve raised interest rates, albeit by a minimal amount, for the first time in nine years. Japan's performance, on the other hand, came in below expectations, despite the central bank's attempts at monetary stimulus.

Alongside the above slowdown in China, the main driving force behind the global economy, emerging nations saw opposing trends, with declining GDP in countries such as Russia and Brazil contrasting with growth in India, which outperformed China thanks to strong internal demand. Elsewhere, a number of Arab oil producers responded to falling sales and declining prices by announcing measures aimed at reducing their trade deficits.

In spite of a less favourable international environment, the euro zone's recovery continued, driven by a number of internal factors, above all rising consumer demand. The European Central Bank's Securities Markets Programme has proved effective in supporting economic activity overall, with the impact so far meeting initial expectations. However, ongoing deflationary factors led the ECB, in December, to strengthen its expansionary measures, prolonging its Quantitative Easing programme and cutting its deposit facility rate. These measures were reinforced in early 2016, with March seeing further cuts in the ECB's interest rates (the main refinancing operations and deposit facility rates), an increase in monthly purchasing under the Quantitative Easing programme and new long-term refinancing operations for banks.

After a number of years of recession, Italy began to see a recovery, even if at a slower pace than the average for the EU as a whole. Export-led growth is being progressively replaced by a recovery driven by internal demand.

The third quarter of 2015 recorded an increase in household disposable income, which, combined with improved labour market conditions, generated a real improvement in consumption.

In addition, the fact that interest rates are at all-time lows is giving households access to credit on easy terms. This freedom of access has yet to result in a significant restoration of trust in financial institutions.

The services sector has begun to show signs of renewed expansion, whilst the construction industry has also seen an improvement. Confirmation of the modest recovery is provided by figures for lending, which has risen in recent months, even if the performance reveals notable differences across the various sectors and sizes of business.

The Italian economy is expected to see a progressive improvement in the coming months. The level of investment, which has so far made a modest contribution, could benefit from improved projections for demand and easier access to credit, partly thanks to the steps recently taken by the ECB. Whilst focusing its attention on strengthening the public finances, the government has introduced a number of measures in its 2016 Stability Law designed to stimulate both private and public investment. However, risks linked to the international environment remain: a further slowdown in emerging economies or events of a geopolitical nature could lead to renewed tensions in the markets and in the global economy.

PERFORMANCE INDICATORS

This document has been prepared in compliance with the requirements of art. 154-*ter*, paragraph 5 of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance). The recognition, measurement and classification criteria used are those established by the International Financial Reporting Standards (IFRS) adopted by the European Union and contained in the related EU regulations published up to 22 March 2016, the date on which Poste Italiane SpA's Board of Directors approved the annual accounts.

Moreover, in accordance with the Committee of European Securities Regulators' Recommendation CESR/05-178b regarding alternative performance indicators, in addition to the financial disclosures required by IFRS, Poste Italiane has included a number of indicators in this Report on Operations that have been derived from them. These provide management with a further tool for measuring the performances of the Parent Company and its subsidiaries.

In particular, in addition to the operating segment disclosures required by IFRS 8, management has proceeded to reclassify the income statement for the financial and insurance segments solely for the purpose of integrating and enhancing its assessment of the operating performance of the specific segments in which the Group operates.

The following alternative performance indicators have been used:

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – this is an indicator of a company's operating profitability before non-operating financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets and investment property.

Gross ROE (Return On Equity) – the ratio of pre-tax profit to the average value of equity at the beginning and end of the reporting period. The performance of this indicator reflects, among other things, the change in the fair value reserves for financial assets classified as available-for-sale. In order to facilitate comparison of the Group's profitability, pre-tax profit has been used in calculating this indicator, rather than net profit for the period, given the different forms of taxation to which the Group's operating segments are subject and changes in the related tax regulations in recent years.

NON-CURRENT ASSETS – this indicator represents the sum of property, plant and equipment, investment property, intangible assets and investments measured using the equity method.

WORKING CAPITAL – the sum of inventories, trade receivables and other receivables and assets, less technical provisions attributable to reinsurers, current tax assets, trade payables and other liabilities, and current tax liabilities.

NET INVESTED CAPITAL – the sum of non-current assets and working capital, deferred tax assets, provisions for risks and charges, provisions for employee termination benefits and pension plans and deferred tax liabilities.

GROUP NET (DEBT)/FUNDS – the sum of financial liabilities, technical provisions for the insurance business, financial assets, technical provisions attributable to reinsurers, cash and deposits attributable to BancoPosta and cash and cash equivalents. This indicator is also shown separately for each operating segment.

INDUSTRIAL NET (DEBT)/FUNDS, IN ACCORDANCE WITH ESMA GUIDELINES, for the Postal and Business Services and Other Services segments – the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

INDUSTRIAL NET (DEBT)/FUNDS, before adjusting for intersegment transactions: this is the sum of net debt attributable to the sum of net (debt)/funds for the Postal and Business Services and Other Services segments before adjusting for intersegment transactions.

GROUP OPERATING RESULTS

The Group saw a significant improvement in its operating performance in 2015, with operating profit of €880 million up 27% on 2014 (€691 million in 2014) and profit for the year of €552 million (€212 million in 2014).
The contribution to operating profit from Financial Services is up 21% (€930 million in 2015, compared with €766 million in 2014).
The Insurance Services segment recorded an excellent operating performance, with Poste Vita registering premium revenue of €18.2 billion (€15.5 billion in premium revenue in the previous year).
Finally, in addition to the above improvement in operating profit, profit for the year of €552 million reflects a proportionate reduction in income tax expense compared with 2014, due primarily to the change in legislation that came into effect from 1 January 2015. This has made it possible to deduct personnel expenses for staff employed on permanent contracts from the IRAP tax base.

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Revenue from sales and services and insurance premium revenue	**27,007**	**24,622**	**2,385**	**9.7%**
Postal and Business Services	3,825	3,964	(139)	-3.5%
Financial Services	4,744	4,950	(206)	-4.2%
Insurance Services(*)	18,199	15,472	2,727	17.6%
Other Services	239	236	3	1.3%
Other income from financial and insurance activities	**3,657**	**3,772**	**(115)**	**-3.0%**
Financial Services	442	404	38	9.4%
Insurance Services	3,215	3,368	(153)	-4.5%
Other operating income	**75**	**118**	**(43)**	**-36.4%**
Postal and Business Services	68	110	(42)	-38.2%
Financial Services	2	4	(2)	-50.0%
Insurance Services	1	–	1	n/s
Other Services	4	4	–	n/s
Total revenue	**30,739**	**28,512**	**2,227**	**7.8%**
Cost of goods and services	2,590	2,648	(58)	-2.2%
Net change in technical provisions for insurance business and other claims expenses	19,683	17,883	1,800	10.1%
Other expenses from financial and insurance activities	689	76	613	n/s
Personnel expenses	6,151	6,229	(78)	-1.3%
Capitalised costs and expenses	(33)	(30)	(3)	10.0%
Other operating costs	198	344	(146)	-42.4%
Total costs	**29,278**	**27,150**	**2,128**	**7.8%**
EBITDA	**1,461**	**1,362**	**99**	**7.3%**
Depreciation, amortisation and impairments	581	671	(90)	-13.4%
Operating profit/(loss)	**880**	**691**	**189**	**27.4%**
Finance income/(costs)	50	7	43	n/s
Profit/(loss) on investments accounted for using the equity method	3	(1)	4	n/s
Profit/(Loss) before tax	**933**	**697**	**236**	**33.9%**
Income tax expense	381	485	(104)	-21.4%
Profit for the year	**552**	**212**	**340**	**n/s**

n/s: not significant.

(*) This item includes €18,197 million in insurance premiums and €2 million in revenue attributable to the SDS group, in which Poste Vita SpA acquired a controlling interest in 2015.

TOTAL REVENUE BY OPERATING SEGMENT

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Postal and Business Services	3,893	4,074	(181)	-4.4%
Financial Services	5,188	5,358	(170)	-3.2%
Insurance Services	21,415	18,840	2,575	13.7%
Other Services	243	240	3	1.3%
Total revenue	**30,739**	**28,512**	**2,227**	**7.8%**

The Poste Italiane Group's total revenue for the year amounts to €30,739 million, marking an increase of 7.8% on 2014. This reflects the strong performance of the insurance segment, where total revenue is €21,415 million (€18,840 million in 2014). The Postal and Business Services segment where, as the reader will be aware, the growing popularity of digital media and communication has led to a progressive reduction in demand for traditional products and services, the operating performance has, for the first time in many years, seen a slowdown in the pace of decline in total revenue, which is down from the €4,074 million of 2014 to €3,893 million in 2015 (a reduction in revenue of €181 million compared with 2014, whilst the reduction in 2014, compared with the previous year, was €378 million).
Total revenue from Financial Services amounts to €5,188 million, marking a reduction of 3.2%. This reflects the reduction in average interest rates on deposits invested in securities and on deposits with the Ministry of the Economy and Finance, in line with market trends, as well as a decrease in income from the distribution of postal savings products on behalf of Cassa Depositi e Prestiti SpA, linked to the agreed mechanism tying fees to the achievement of net savings inflow targets. The impact of the above was only partially offset by the positive performance of other income from financial activities, which is up from €404 million in 2014 to €442 million in 2015. This was primarily generated by the sale of available-for-sale financial assets, in the form of euro area government securities or, up to a maximum of 50%, of securities guaranteed by the Italian government[(8)], in which the postal current account deposits of BancoPosta RFC's private customers are invested.
As noted above, the Insurance Services segment delivered excellent results during the period, with Group companies (represented by Poste Vita and its subsidiary, Poste Assicura) recording premium revenue of €18.2 billion (premium revenue of €15.5 billion in 2014). This primarily reflects the performances of traditional Class I investment and savings products, where the Group has built up a strong presence. Other income from financial and insurance activities is, however, down from the €3,368 million of 2014 to €3,215 million in 2015, reflecting fair value losses on the financial instruments held to cover obligations to policyholders.
Total revenue from Other Services is up €3 million (€243 million in 2015, compared with €240 million in 2014). This reflects improved operating results from Poste Mobile, making an important contribution to the Group's operating result.
The cost of goods and services is down 2.2% from €2,648 million in 2014 to €2,590 million in 2015, primarily reflecting reductions in the cost of funding, represented by interest paid to customers by BancoPosta RFC, and in purchases of goods and services.
The net change in technical provisions for the insurance business and other claims expenses, which is closely linked to the above growth in premium revenue recorded by Poste Vita, amounts to €19,683 million, marking an increase of 10.1% compared with the previous year.

Other expenses from financial and insurance activities are up from €76 million in 2014 to €689 million in 2015, reflecting the greater impact of movements in the fair value of financial instruments, for the most part attributable to the subsidiary, PosteVita.

(8) This change was introduced by the 2015 Stability Law (Law 190 of 23 December 2014).

PERSONNEL EXPENSES

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Salaries, social security contributions and sundry expenses(*)	5,781	5,832	(51)	-0.9%
Redundancy payments	78	152	(74)	-48.7%
Net provisions (uses) for disputes	(13)	(11)	(2)	18.2%
Provisions for restructuring charges	316	256	60	23.4%
Total	**6,162**	**6,229**	**(67)**	**-1.1%**
Income from fixed-term and temporary contract agreements	(11)	–	(11)	n/s
Total personnel expenses	**6,151**	**6,229**	**(78)**	**-1.3%**

n/s: not significant.

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

Personnel expenses are down 1.3% from the €6,229 million of 2014 to €6,151 million in 2015. This reflects a reduction in the average workforce employed during the period (over 930 fewer full-time equivalents on average in 2015, compared with the previous year).
The above figure also reflects provisions for restructuring charges of €316 million (€256 million in 2014), made to cover the estimated costs to be incurred by the Parent Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2017.
Finally, the change in personnel expenses also reflects income of €11 million recognised by the Parent Company in 2015, following the agreements concluded with the labour unions in July, regarding the re-employment by court order of staff previously employed on fixed-term contracts.

Income tax expense is down from the €485 million of 2014 to €381 million in 2015. The effective tax rate is 40.77%, consisting of the sum of the IRES tax rate (36.42%) and the IRAP tax rate (4.35%). Compared with the figure for 2014, when the effective tax rate was 69.58%, the charge for the year under review benefits from the positive impact of the deductibility of personnel expenses for staff employed on permanent contracts from the IRAP tax base, introduced by the 2015 Stability Law.

OPERATING RESULTS BY OPERATING SEGMENT

2015 *(€m)*	Postal and Business Services	Financial Services	Insurance Services	Other Services	Adjustments and eliminations	Total
External revenue	3,893	5,188	21,415	243	–	30,739
Intersegment revenue	4,323	479	–	91	(4,893)	–
Total revenue	**8,216**	**5,667**	**21,415**	**334**	**(4,893)**	**30,739**
Costs	8,657	445	20,473	284	–	29,859
Intersegment Costs	127	4,292	455	19	(4,893)	–
Total costs	**8,784**	**4,737**	**20,928**	**303**	**(4,893)**	**29,859**
Operating profit/(loss)	**(568)**	**930**	**487**	**31**	**–**	**880**

2014 *(€m)*	Postal and Business Services	Financial Services	Insurance Services	Other Services	Adjustments and eliminations	Total
External revenue	4,074	5,358	18,840	240	–	28,512
Intersegment revenue	4,584	404	1	85	(5,074)	–
Total revenue	**8,658**	**5,762**	**18,841**	**325**	**(5,074)**	**28,512**
Costs	9,063	435	18,030	293	–	27,821
Intersegment Costs	99	4,561	396	18	(5,074)	–
Total costs	**9,162**	**4,996**	**18,426**	**311**	**(5,074)**	**27,821**
Operating profit/(loss)	**(504)**	**766**	**415**	**14**	**–**	**691**

POSTAL AND BUSINESS SERVICES

SEGMENT PROFIT OR LOSS – POSTAL AND BUSINESS SERVICES

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Revenue from sales and services	3,825	3,964	(139)	-3.5%
Other operating income	68	110	(42)	-38.2%
Total external revenue	**3,893**	**4,074**	**(181)**	**-4.4%**
Intersegment revenue	4,323	4,584	(261)	-5.7%
Total revenue	**8,216**	**8,658**	**(442)**	**-5.1%**
Cost of goods and services	2,118	2,148	(30)	-1.4%
Personnel expenses	5,977	6,066	(89)	-1.5%
Depreciation, amortisation and impairments	530	614	(84)	-13.7%
Capitalised costs and expenses	(33)	(28)	(5)	17.9%
Other operating costs	65	263	(198)	-75.3%
Intersegment costs	127	99	28	28.3%
Total costs	**8,784**	**9,162**	**(378)**	**-4.1%**
Operating profit/(loss) (EBIT)	**(568)**	**(504)**	**(64)**	**-12.7%**

The Postal and Business Services segment recorded an operating loss of €568 million (a loss of €504 million in 2014).
This performance reflects a decline of €442 million in total revenue, including a €181 million reduction in external revenue and a reduction of €261 million in intersegment revenue in 2015. This is due, on the one hand, to a reduction in traditional letter post and, on the other, to the different mechanism for the remuneration of services provided by the distribution network, reflecting a decrease in transfer payments by made BancoPosta RFC to other Poste Italiane functions, in accordance with the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" and in application of specific operating guidelines.
In contrast, costs are down €378 million, primarily due to a reduction in other operating costs (down €198 million compared with 2014), reflecting, among other things, the release of provisions made in previous years, linked to the procedures and timing involved in the collection of amounts receivable from the Ministry of the Economy and Finance as Universal Service compensation. Reductions were also recorded for personnel expenses (down from €6,066 million in 2014 to €5,977 million in 2015) and depreciation, amortisation and impairments (down €84 million compared with 2014). This trend confirms the effectiveness of the cost efficiency drive launched in 2015.

THE POSTAL SERVICES MARKET

The main European incumbents continued to register falling letter volumes in 2015. The pace of decline varies from one operator to another depending on the level of internet penetration, the degree to which public and private organisations have shifted to electronic invoicing and billing, the level of market competition and deregulation, the degree of demand elasticity to price changes and other macroeconomic factors.
Against this backdrop, a number of national regulators have begun to review the regulations governing postal services, with a view to ensuring the sustainability of the Universal Service provided by public providers, whilst at the same time opening up the market to competition.
In Italy, where the rate of decline in volumes since 2007 has been the fastest among all the main European operators, the approach adopted by the regulator (AGCom – the Italian Communications Authority) to provision of the Universal Postal Service has allowed Poste Italiane to proceed with its planned transformation of the postal service, necessary in order to continue to effectively meet the changing needs of customers in the digital age.
In contrast, the **market for Express Delivery and Parcels** continues to grow, primarily driven by the expansion of e-commerce. The value of online purchases in Italy reached €16.6 billion in 2015, up 16% on 2014 and equivalent to an increase of more than €2.2 billion (source: E-commerce B2C Observatory – School of Management of the Polytechnic University of Milan and Netcomm).

MAIN COMMERCIAL AND SERVICE QUALITY INITIATIVES

In the Postal and Business Services segment, the process of rationalising and optimising the various product and services offerings continued in 2015, aimed – partly through development of new technologies – at providing a more efficient and comprehensive response to customer requirements, especially those of business customers. The main marketing initiatives in the Letters segment regarded unrecorded mail, recorded mail and integrated services. Unrecorded mail saw the launch of the Posta Contest modular offering, a non-universal product for contract tenders and SMEs, offering additional premium services (for example, updates on the speed of delivery, fewer weight and format restrictions, etc.). A recorded mail offering called *Raccomandata InCittà* was launched in 16 cities on a trial basis. This tracked, signed-for product is aimed at customers who regularly need to send items that are delivered within their town of origin. The product includes the Pick-Up Light and Infodelivery Light services. The latter is designed to provide online reports for delivery outcomes. 2015 also saw the launch of the Extradoc range, a new non-universal service aimed at business customers and the Public Administration for tracked and signed-for items weighing up to 20 kg, to be delivered within 6 working days. The recorded mail segment also saw the launch of the *Raccomandata Market* modular offering for mailing contract tenders, with additional functions that include notice of receipt.
In the Value Added services segment, *Raccomandata SIN Smart* was launched. This product enables management of the entire process of sending administrative documents via registered mail, with acknowledgement of receipt.
Commercial initiatives relating to **Express Delivery and Parcels** were aimed at taking advantage of growth opportunities in the e-commerce sector. In this regard, the *Crono 1* service was launched. This marks a step-change in Poste Italiane's express delivery services, by, among other things: bringing the entire express delivery offering for the B2C segment under a single brand (Crono), with the standardisation of service models, customer care, the number of days items may be stored free of charge in post offices, and second delivery attempts. The service provides for a single offering comprising four products for the domestic segment (Crono Express, Crono, Crono Economy, Crono Reverse), and one for the international segment (Crono Internazionale).
A number of innovations were introduced for *Promopacco*, another product specifically designed for business customers using e-commerce, which provides a "non-express" delivery service for small items under 3 kg throughout Italy. These innovations include:

- a reduction in delivery times from the current 4/5 days to 2/4 days depending on the destination postcode;
- a reduction in the minimum quantity per pick-up;
- the possibility of transporting lithium batteries in accordance with the relevant regulations[9];
- improvement of the tracking system, with the introduction of new functions;
- the introduction of an ancillary cash-on-delivery service.

(9) From 1 January 2015, the transport of lithium batteries (shipped without equipment) is prohibited on passenger aircraft, and only allowed on cargo aircraft.

Finally, other initiatives related to the launch of the new Paccoreverse service, which enables acceptance of a returned shipment at a post office or via pick-up from a home or business address, and the launch of Gamma Free for overseas shipment and delivery (to the United States and within the European Union) of signed items, packed by customers using special pre-franked packages that may be purchased at post offices.

Operations at the subsidiary, **SDA Express Courier SpA**, were affected by a major labour dispute that led to a 4-week stoppage at the most important automated sorting centre, located in Bologna. Indeed, strike action by the *Confederazione dei Comitati di Base* (Cobas), a rank and file labour union, had been growing in pace since early 2014, affecting not only SDA, but all the companies in the sector and entailing wildcat strikes at peak periods, thus forcing the biggest groups to enter into direct negotiations with Cobas. At the end of lengthy negotiations mediated by the Prefect of Bologna, agreement was reached in May.

Throughout the crisis period, SDA continued to guarantee the service provided to its customers, resorting to alternative solutions, such as the use of branch offices, in order to be able to find replacements for and limit the impact arising from closure of the Bologna hub. This obviously led to specific repercussions, in terms of shipments and the related daily turnover, as well as of operating costs, which rose substantially as a direct result of the emergency.

With regard to Contact Centre activities carried out within the Group, for both the internal and external markets, calls for tenders were launched to find a suitable provider to manage the entire service. On completion of the tender process, the companies to which SDA Express Courier had outsourced the services until the end of 2015 – Uptime SpA (28.57% owned by SDA) and Gepin Contact SpA (which owns 71.43% of Uptime SpA) – were not awarded the contract and, on 30 December 2015, SDA terminated its relationships with these companies, as provided for in the relevant contracts.

This termination, which takes effect on 1 July 2016, could have repercussions for jobs at both Uptime and Gepin Contact and, on 2 March 2016, an Ordinary General Meeting of Uptime SpA's shareholders voted by a majority to call an Extraordinary General Meeting for 16 March 2016 to terminate operations and wind-up the company.

Strictly in terms of employment law – even though no court document or formal letter of notice has been received so far – the possibility of disputes arising with staff employed by the two companies cannot be ruled out. Any claims will be assessed on merit in view of the effective situation.

From a civil law standpoint, however, with a memorandum on 26 February 2016, Gepin Contact claimed damages of €10.5 million from SDA. As grounds for this claim, the counterparty pointed out that, as it only received the notice of termination on 29 December 2015, it was unable to access the special redundancy fund, which was abolished by Legislative Decree 148/2015 on 31 December 2015. According to the plaintiff's version of events, SDA should have taken account of this issue and terminated the contract in due time to prevent such an occurrence. As matters stand, the claim appears to be largely unfounded. Indeed, SDA merely exercised – in the correct manner – its contractual right, by which, among other things, the parties had established that there can be no grounds for any claim for damages or compensation. From another standpoint, SDA's conduct could not have been legitimately interpreted as giving Gepin any assurance that the contractual relationship would have continued.

On this basis, no appreciable elements currently exist to define and/or quantify any potential risks with respect to this matter, either in terms of possible disputes or with regard to reputation. However, given the above circumstances, future developments that might have an effect on profit or loss in reporting periods subsequent to the period ended 31 December 2015 cannot be excluded.

Efforts continued to enhance the **philately** offering with the launch of a new product, the "MiniFolder" which provides for limited edition numbering and the introduction of a new "forever stamp" – a first in Italian philatelic history. Indeed, for the first time ever, stamps with no expiry date or explicit face value have been produced and put on sale. One of the advantages is flexibility for users in the event of rate increases.

The 2015 philately programme featured 48 issues, with a total of 113 stamps.

The most important issues were: "Turin, European Capital of Sport 2015"; the centenary of the birth of Alberto Burri; the 70th anniversary of the Liberation; stamps to commemorate the First World War; the Milan 2015 Universal Exposition; and stamps for the Extraordinary Jubilee of Mercy.

DIGITAL AND MULTI-CHANNEL SERVICES

Regarding the digital services the Poste Italiane Group provides via Postecom SpA, development and provision of the offering continued. In particular, ahead of the upcoming activation of the Public System for Digital Identity Management (SPID), steps were taken to enable Poste Italiane to obtain accreditation as a Digital Identity Manager, something that took place on 19 December 2015.
The SPID system, provided for by Legislative Decree 82 of 7 March 2005, the "Digital Administration Code", amended by Law 98 of 9 August 2013, is the new system for accessing online services, created to simplify relations between the public, businesses and the Public Administration. It will enable citizens to access any Public Administration service with a single PIN and seek certification of their identity only once from one of the digital identity managers.
Following accreditation on 19 December 2015 and the signature of an agreement with the Agency for Digital Italy, Poste Italiane, InfoCert and Tim (via the Telecom Italia group company, Trust Technologies) will make the first digital identities available from 15 March 2016.

Operating results

GROUP LETTER POST

for the year ended 31 December	**Volumes** *(in millions)*				**Revenue** *(€m)*			
	2015	**2014**	**Increase/ (decrease)**		**2015**	**2014**	**Increase/ (decrease)**	
Unrecorded Mail and Philately	1,556	1,685	(129)	-7.7%	1.020	1,091	(71)	-6.5%
Recorded Mail	207	216	(9)	-4.2%	971	997	(26)	-2.6%
Direct Marketing and Unaddressed Mail	980	1,093	(113)	-10.3%	192	209	(17)	-8.1%
Integrated Services	42	46	(4)	-8.7%	220	219	1	0.5%
Other(*)	1,152	1,284	(132)	-10.3%	280	321	(41)	-12.8%
Universal Service Obligation (USO) compensation and Electoral subsidies(**)					279	294	(15)	-5.1%
Total	**3,937**	**4,324**	**(387)**	**-9.0%**	**2.962**	**3,131**	**(169)**	**-5.4%**

(*) Includes services for publishers, multi-cnannel services, printing, document management, other basic services.

(**) Universal Service compensation also includes compensation relating to the ordinary parcels service. With regard to tariff subsidies, Law Decree 66/2014 has abolished subsidised tariffs from 1 June 2014, for both electoral publicity and for publicity regarding the voluntary contribution of 0.2% of personal income tax.

GROUP EXPRESS DELIVERY, LOGISTICS AND PARCELS

for the year ended 31 December	**Volumes** *(in millions)*				**Revenue** *(€m)*			
	2015	**2014**	**Increase/ (decrease)**		**2015**	**2014**	**Increase/ (decrease)**	
Domestic Express delivery	67.0	59.0	8.0	13.6%	395	369	26	7.0%
International Express delivery	17.0	15.6	1.4	9.0%	106	93	13	14.0%
Total Express delivery	**84.0**	**74.6**	**9.4**	**12.6%**	**501**	**462**	**39**	**8.4%**
Domestic Parcels	1.3	1.1	0.2	18.2%	13	11	2	18.2%
International Parcels	0.6	0.7	(0.1)	-14.3%	26	27	(1)	-3.7%
Total Parcels	**1.9**	**1.8**	**0.1**	**5.6%**	**39**	**38**	**1**	**2.6%**
Other(*)					70	87	(17)	-19.5%
Total Express delivery, Logistics and Parcels	**85.9**	**76.4**	**9.5**	**12.4%**	**610**	**587**	**23**	**3.9%**

(*) The item, "Other", includes Dedicated Services, Logistics, other SDA Express Courier SpA services and other revenue attributable to Consorzio Logistica Pacchi ScpA.

All European operators continue to register falling volumes for traditional postal services, in relation to the size of their domestic market, the extent to which digital services have developed and the scale of electronic billing by private and public entities. Moreover, in Italy the reduced demand for postal services has been accompanied by increasingly tough competition in the most profitable areas, a factor that is almost totally lacking in rural and mountain areas, where costs for a Universal Service provider like Poste Italiane continue to be high, thus discouraging alternative operators from entering the market.
In the light of these considerations, the performances of the Group's Letter and Philately services in 2015 registered reductions in volumes of 9.0% (387 million fewer items) and 5.4% (169 million fewer items), respectively, compared with 2014. Indeed, the decline in demand for Unrecorded Mail, which generated revenue of €1,020 million in 2015 (€1,091 million in 2014) and which, as already mentioned, is affected by e-substitution and the development of technological innovation, was only partly mitigated by the tariff increases introduced by AGCom on 1 December 2014 (with Resolution 728/13/CONS) and on 1 October 2015 (with Resolution 396/15/CONS). The new Ordinary Mail product, with a target delivery time of J+4, generated 107 million items and revenue of €121 million.
Recorded Mail generated revenue of €971 million, marking a 2.6% decrease (down €26 million on 2014), due to the reduced amount of mail sent by the Public Administration as a result of cost cutting, and the poor performance of Registered Mail (12 million fewer items handled, corresponding to a fall in revenue of €21 million compared with 2014).
Direct Marketing and Unaddressed Mail volumes fell respectively by 10.3% and 8.1%, due to customers rationalising their mail spend.
Other revenue includes, among other things, services for publishers, which fell as a result of the continuing decline in the number of subscribers for printed publications and the increase in digital subscriptions.
The compensation partially covering the cost of the Universal Service for 2015 was set at €262 million, awarded within the limits of the amount earmarked in the government's budget, as per the 2015 Stability Law. Total compensation, amounting to €279 million, includes €17 million in revenue, deferred in previous years, paid from additional funding allocated by the Ministry of the Economy and Finance to cover prior contractual commitments.

Despite the negative impact of the industrial action that hampered the operations of SDA Express Courier during the year, the **Express Delivery, Logistics and Parcels** segment saw growth in the volume of items transported and in revenue, registering increases of 12.4% (9.5 million more items handled) and 3.9% (up €23 million), respectively, compared with 2014. This good performance is essentially due to growth in the National Express Delivery segment, which registered a rise of 8 million in the number of items handled and a €26 million increase in revenue (volumes up 13.6% and revenue up 7%, compared with 2014) due to the good performances posted by Promopacco and Express Box, which are used for B2C shipments.
The International Express Delivery segment performed well (volumes up 9%, and revenue up 14%) thanks to the competitively priced *Export Box* product for business customers.

POSTAL SERVICE QUALITY TARGETS

for the year ended 31 December	2015			2014		
	Delivery within	Target	Actual	Delivery within	Target	Actual
Prioritary Mail(*)	1 day	89.0%	88.96%	1 day	89.0%	90.3%
Posta 1(*)	1 day	80.0%	85.4%			
International Mail(**)						
inbound	3 days	85.0%	83.9%	3 days	85.0%	83.7%
outbound	3 days	85.0%	84.4%	3 days	85.0%	84.1%
Registered Mail(***)	4 days(1)	90.0%	97.9%	3 days	92.5%	94.3%
Insured Mail(***)	4 days(1)	90.0%	99.5%	3 days	94.0%	98.5%

(1) The 2015 Stability Law, which came into effect from 1 January 2015, has set the quality standard for the universal postal service, with the exception of the priority mail service, as four days after postage in the public postal network (j+4).

(*) Based on data certified by IZI at the request of AGCom.
The figures for priority mail refer to the period January-September 2015, as the product was withdrawn from October and replaced by the Posta 1 product. As a result, the measured quality for the Posta 1 product relates to the period October-December 2015.

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

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

for the year ended 31 December	2015			2014		
	Delivery within	Target	Actual	Delivery within	Target	Actual
Standard Parcels	4 days[1]	90.0%	96.7%	3 days	94.0%	94.0%
Postacelere Express Delivery	1 day	90.0%	84.6%	1 day	90.0%	84.2%
Paccocelere	3 days	98.0%	95.8%	3 days	98.0%	94.3%

(1) The 2015 Stability Law, which came into effect from 1 January 2015, has set the quality standard for the universal postal service, with the exception of the priority mail service, as four days after postage in the public postal network (j+4).
All products are monitored with an electronic tracking system.

With Resolution **572/15/CONS** of 16 October 2015, following an assessment of the quality of Priority Mail carried out by IZI SpA for 2014, the regulator, in relation to achievement of the regional target for Abruzzo, noted a 1.12% shortfall with respect to the regulatory target, and imposed a penalty of €50,000, as per art. 5 of the *Contratto di Programma* (Service Contract) for 2009-2011. On 7 December 2015, the Company submitted a defence brief, contesting the resolution.
With Resolution **5/16/CONS** of 14 January 2016, notified to Poste Italiane on 3 February 2016, AGCom confirmed the €50,000 penalty. Following this resolution, in a memorandum on 23 February 2016, the Ministry for Economic Development ordered the Company to pay the penalty by 24 March 2016.
In a memorandum dated 27 November 2015, AGCom asked IZI SpA to transfer its sample quality checks on Priority Mail to the Ordinary Mail service from December 2015.
Furthermore, with Resolution **699/15/CONS** issued on 15 January 2016, regarding the contract with IZI SpA, the regulator extended the contract to include additional services relating to the survey of Ordinary Mail delivery times in municipalities where alternate day delivery is in operation (the first stage of the rollout of such a service) for the period 1 February – 30 June 2016.

POSTAL SECTOR REGULATIONS

SERVICE CONTRACT

The *Contratto di Programma* (Service Contract) regulates relations between the Ministry for Economic Development and Poste Italiane SpA in connection with the Universal Postal Service.
The approval process for the *Contratto di programma* (Service Contract) for 2015-2019 was completed in 2015. On 6 October 2015, it was formally submitted to the European Commission for the usual assessments relating to European regulations regarding state aid.
With the "State Aid SA. 43243 (2015/N) – Italy" Decision of 4 December 2015, the European Commission approved government compensation for the years from 2012 to 2015[10] and for the period 2016-2019, granted to Poste Italiane for provision of the Universal Postal Service, deeming it to be compatible with European Union regulations regarding state aid.
Subsequently, the *Contratto di Programma* (Service Contract) for 2015-2019 was signed by the parties on 15 December 2015 and is effective from 1 January 2016 to 31 December 2019.
Pursuant to the extension referred to in article 16, paragraph 3 of the Service Contract for 2009-2011, and as confirmed by Law 190 of 23 December 2014, article 1, paragraph, 274, letter a) (the 2015 Stability Law) and endorsed by the above European Commission Decision, the Service Contract for 2009-2011 remained in force in 2015.

(10) In application of the subsidy cap mechanism provided for in the Service Contract for 2009-2011, compensation for 2015 amounts to €329.1 million, without prejudice to the effects of any subsequent checks to be carried out by AGCom in order to quantify the net cost incurred by the Company. Under the new Service Contract, for the years 2016-2019, the maximum amount of compensation Poste Italiane may receive is €1.05 billion (approximately €262 million per annum). Regarding previous years, for 2011 AGCom has ascertained a cost of €380.6 million compared with compensation of €357 million approved by the European Commission. Regarding the cost for 2012, on 7 August 2015 the Ministry of the Economy and Finance granted the Company compensation of €327 million, equivalent to the cost ascertained by AGCom. Regarding 2013, on 23 September 2014, with Resolution 493/14/CONS, the regulator launched a procedure designed to study and assess the applicability of the methods used in allocating and assessing the net cost. This investigation was extended to include 2014 on 24 July 2015.

OTHER REGULATORY MEASURES

On 26 January 2015, the Ministry for Economic Development issued a Decree regarding *Calculation and procedures for the payment of contributions by postal operators to the* Autorità per le Garanzie nelle Comunicazioni *(AGCom) for the years 2012, 2013 and 2014,* regarding the contribution that all postal service operators are obliged to pay to AGCom to fund the regulator's activities, in accordance with the provisions of Legislative Decree 261/99, art. 2, paragraph 14, letter b). Poste Italiane paid the contributions for 2012 and 2013 to the regulator on 30 March 2015. The contribution for 2014 was paid on 11 December 2015, subject to the right to request a recalculation depending on the outcome of the appeal lodged by the Italian Association of International Air Couriers (AICAI) and other postal operators, requesting cancellation of the relevant Decree, application of which was suspended following a ruling by the Lazio Regional Administrative Court. On 10 February 2016, with sentence no. 1930 in first instance, the First Section of the Lazio Regional Administrative Court ruled that the retroactive nature of the contribution for the years 2012-2014 was illegitimate, and therefore the final outcome of the dispute is awaited.
Other regulatory measures regarding the sector include the draft of Law 3012 "Annual market and competition law", presented by the government in June 2015, which in art. 18 provides for the repeal, from 10 June 2016, of art. 4 of Legislative Decree 261/99, giving Poste Italiane SpA exclusive rights (as the Universal Service provider) to offer services relating to legal process and the notification of violations of the Highway Code. To date, the parliamentary procedure has yet to be completed, so the rights are still attributed to Poste Italiane.

PRINCIPAL RELATIONS WITH THE *AUTORITÀ PER LE GARANZIE NELLE COMUNICAZIONI* (AGCOM – THE ITALIAN COMMUNICATIONS AUTHORITY)

Following implementation of the 2015 Stability Law, which sets out principles aimed at ensuring the sustainability of service provision, partly in anticipation of a future decline in volumes and in the light of the amount of resources available to fund it, the Company sent two proposals to the regulator that AGCom subsequently submitted for public consultation, via Resolution **163/15/CONS** and Resolution **164/15/CONS**, on 27 March 2015. On completion of the consultations, on 20 July 2015, AGCom adopted the following resolutions:

- Resolution 395/15/CONS "Authorisation of an alternate delivery model for mail within the scope of the universal service";
- Resolution 396/15/CONS "New statistical quality targets and new tariffs regarding universal service mail pursuant to art. 1, paragraph 280, of Law 190 of 23 December 2014".

Specifically, in Resolution **395/15/CONS**, the regulator defined the criteria to identify the municipalities affected by the new model, based on the particular geographical nature and type of infrastructure characterising mail delivery in Italy. Implementation of alternate day delivery (with delivery on Monday, Wednesday and Friday in one week, and delivery on Tuesday and Thursday in the following week), which, when fully implemented, will affect up to a quarter of Italy's population, will be rolled out in three phases: the first, in October 2015, will take in 256 municipalities in the Lombardy, Piedmont, Friuli Venezia Giulia and Veneto regions, whilst the second phase will launch in April 2016 and the third in February 2017.
The regulator may restrict or influence the introduction of corrective measures relating to implementation of the second and third phases, whether arising from any comments made by the European Commission or to solve any problems identified during the monitoring process. Poste Italiane will be required to send quarterly reports to the regulator, including detailed information on cost savings made, problems encountered and any impacts on users. In addition, an annual summary report should be sent to the regulator and the European Commission regarding each of the model's implementation phases.
On completion of the gradual implementation of the new delivery model, from February 2018, the regulator will assess whether grounds exist for extending its authorisation of the model, taking into account any problems arising during the model's overall implementation period and the correspondence between the results achieved with the targets set out in Poste Italiane's Business Plan. As notified on 25 September 2015, Codacons has lodged an appeal before the Lazio Regional Administrative Court opposing the resolution. Discussion of the request for suspensive relief is awaited. Subsequently, on 16 October 2015, the Italian Federation of Newspaper Publishers (FIEG) and Avvenire Nuova Editoriale SpA lodged an appeal with the Lazio Regional Administrative Court against the same resolution, as did the Piedmont branch of the National Confederation of Local Authorities (ANCI), together with some municipalities in Monferrato, in a separate appeal. Discussion of the case was adjourned until 23 March 2016 to give the parties time to reach agreement.
In October 2015, Poste Italiane launched the first phase of the new alternate day delivery model in 256 municipalities in the Lombardy, Piedmont, Friuli Venezia Giulia and Veneto regions and, on 3 February 2016, in compliance with reporting obligations required in order to launch the second implementing phase, the Company sent AGCom a list of the 2,395 Italian municipalities involved.

With Resolution **396/15/CONS**, AGCom also introduced some amendments to Resolution **728/13/CONS**, regarding the regulation of Universal Postal Service rates.
Regarding ordinary mail, the resolution transferred the safeguard cap mechanism previously applied to priority mail to this product, bringing forward to 1 October 2015 the option to apply the maximum rate of €0.95 (domestic retail rate for the first attempt at delivery). The mechanisms that strictly linked changes regarding the first attempt at delivery for domestic retail products to those to be applied to subsequent attempts at delivery and international and online products have been replaced by more flexible criteria relating to accessibility, fairness, reasonableness and non-discrimination. Future developments in the ordinary mail rate envisage allowing Poste Italiane to revise rates from 1 January 2017 until expiry of the Service Contract, with adjustments applied at least once a year, in inverse proportion to the performance of volumes.
In terms of priority mail, also from 1 October 2015, Poste Italiane's sole obligation is to charge fair, moderate and non-discriminatory rates. However, in the event that quality commitments are not met, AGCom is entitled to impose different prices for different levels of service and automatic compensation mechanisms.
In light of the above, rate changes were applied from 1 October 2015, primarily regarding:

- the introduction of Ordinary Mail, with rates starting from €0.95 for retail products, from €0.85 for business (and online) products, and from €1.00 for international products;
- the restructuring of priority mail, which has been enhanced with a reporting service, with rates starting from €2.80 for retail products, from €2.10 for business (and online) products, and from €3.50 for international products;
- setting the acknowledgement of receipt rate (ordinary mail only) at €0.95 for single mail items, €0.70 for multiple items and €1 for international items.

Regarding service quality, at least 80% of priority mail items should be delivered within the first available day after collection (the quality target), and at least 98% of items should be delivered by the end of the fourth working day after collection (the reliability target).
The first priority mail target is measured in terms of "available" working days in order to enable implementation of alternate day delivery. Therefore, the target will be set at one, two or three working days after collection, depending on whether the collection and/or delivery area is affected by alternate day delivery.
For all other regulated products (ordinary, bulk, registered and insured mail) the rapidity target is set at J+4 for 90% of mail items, and the reliability target at J+6 for 98% of items. Ordinary parcels are only required to meet the set quality target (90% of parcels at J+4).
The Italian Association of International Air Couriers (AICAI) challenged Resolution 396/15/CONS before the Lazio Regional Administrative Court in relation to the part that provides for the tracking of Priority Mail, which would enable replacement of this universal service by couriers and might therefore entail an obligation for the latter to contribute to the universal service compensation fund.
Regarding the same matter, on 6 November 2015, the Antitrust Authority sent AGCOM a report, requesting the regulator to review the decision to include Priority Mail in the universal service, which according to the Antitrust Authority, especially in the format offered to business customers, was likely to distort competition in the parcels/courier market. On 9 December 2015, AGCOM confirmed its decision to include the service in question in the universal service (with Resolution **662/15/CONS**).
Also in relation to universal service rates, on 1 December 2015, new rates were applied for domestic Registered Mail products (with rates starting at €4.50), International Registered Mail, physical and online (with rates starting at €5.95), Acknowledgement of Deposit (€5.45) and Acknowledgement of Notification (€4.50). These new rates, set in accordance with the above-mentioned Resolution 728/13/CONS, were notified to the regulator and the general public beforehand, with 90 days' and 30 days' notice, respectively.
Resolution 728/13/CONS also includes provisions regarding access to Poste Italiane's network. Specifically, AGCom established an obligation for the Company to provide access to postal services, at the request of third parties, under fair and reasonable conditions to be freely negotiated with the parties. Pending the appeal lodged by the Company against this ruling, Poste Italiane received two requests for access to the postal network, in February and October 2014. Neither of the two requests has reached a conclusion. Regarding the first request, in October 2014 the operator seeking access involved the regulator, which asked the parties to go ahead with negotiations. In January 2015, the operator informally notified Poste Italiane that it had reiterated the request for intervention to the regulator, owing to the persistent stalemate in the negotiations, following which the regulator has so far taken no action regarding the intervention request**.**
Following the above-mentioned Resolution 396/15/CONS, in which, among other things, the regulator had deemed that a review of Poste Italiane's network access obligations was necessary, Poste Italiane requested the launch of a procedure to review the regulatory framework relating to postal network access in November 2015.

With Resolution **129/15/CONS** of 11 March 2015, issued on completion of a procedure launched in 2013, AGCom approved the "Regulations regarding the requirements to be met in order to offer postal services to the public"

(Annex A of the Resolution). Applied on 24 March 2015, the Resolution sets out the conditions (requirements and obligations) to be met before an individual licence can be issued and general authorisation be given by the Ministry for Economic Development.
On 27 May 2015, Nexive SpA and the Italian Association of International Air Couriers (AICAI) challenged the Resolution before the Lazio Regional Administrative Court (also notifying Poste Italiane as the other party to the proceedings), with particular reference to the obligation for general authorisation holders to contribute to the universal service compensation fund, on the basis of earnings received from the sale of services deemed to be in replacement of universal services. On 27 June 2015, Poste Italiane submitted its brief regarding the proceedings launched by AICAI to the Lazio Regional Administrative Court. The case was adjourned and the matter referred to the Court of Justice due to a number of preliminary matters contained in the adjournment ruling.
Pursuant to the above-mentioned resolution, on 29 July 2015, the Ministry for Economic Development published terms and conditions containing procedures relating to the issue of the licence to provide postal services to the public.
This action was also challenged by AICAI. The Regulations lay down that within 180 days of their publication, parties already authorised to provide postal services should bring their licence into line with the provisions contained therein by sending a specific application to the Ministry for Economic Development. Poste Italiane fulfilled this requirement on 10 February 2016.

On 31 October 2014, AGCom issued Resolution **564/14/CONS**, launching a procedure designed to define the legal and financial terms and conditions relating to the return of mail items entrusted by senders to operators other than Poste Italiane, and returned via the latter's network(11). Exclusively regarding items handled by the operator GPS – which did not sign the Terms and Conditions of Service and brought a dispute before the Authority – as a precautionary measure, the Resolution also sets out Poste Italiane's obligation to return items to the operator, without requesting any payment for the time being, pending the outcome of the dispute. The launch of the investigation is justified by the large number of such items, and certain difficulties involved in negotiating the related agreements for their return. Subsequently, on 12 May 2015, AGCom issued Resolution **287/15/CONS**, launching a public consultation on the matter. Poste Italiane submitted its contribution on 6 July 2015.
At the end of the consultation, with Resolution **621/15/CONS** of 5 November 2015 (published on 24 November 2015), AGcom approved the final ruling on the matter, providing for revision by Poste Italiane, within 60 days of the publication of the above resolution, of its "*Contract terms and conditions regarding the return of mail items entrusted by senders and other postal operators via Poste Italiane's network*". The revised version will include three return procedures(12) on the basis of which the rates will be reformulated, taking into account, among other things, the principle of cost orientation (avoidable cost) and applying discounts for certain volumes.
Poste Italiane has amended its Contract Terms and Conditions and informed all contracted operators, as well as GPS, about the changes made. Given the financial and operational impacts this ruling may have on Poste Italiane – especially the possibility of only being able to recover additional costs with the new rates, and having to widely implement manual solutions in order to provide the service – the Company has appealed against the ruling before the Lazio Regional Administrative Court. The hearing on the merits has been scheduled for 8 June 2016.
On 4 February 2016, AGCom sent Poste Italiane a memorandum containing various observations on the procedures for implementing the provisions of the ruling. Poste Italiane replied to this memorandum on 5 February 2016, reaffirming that its Contract Terms and Conditions comply with the above regulations.
On 11 March 2015, AGCom issued Resolution **121/15/CONS**, launching a procedure aimed at measuring and reducing administrative costs arising from reporting requirements relating to matters for which the regulator(13) is responsible. On 15 May 2015, Poste Italiane submitted an initial contribution to the regulator, prepared at the regulator's express request. On 1 December 2015, AGCom issued Resolution **65715/CONS**, thereby completing the first initiative to measure administrative costs via a mapping and financial assessment procedure, partly based on contributions received from stakeholders. The assessment includes preliminary recommendations regarding possible rationalisation and simplification measures to be introduced as part of a long-term programme aimed at cutting administrative costs.

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

(11) Article 18 of the General Terms and Conditions of Service relating to provision of the universal postal service (Resolution **385/13/CONS**) only regulates the return of such items, referring the definition of conditions regarding the return of items to an agreement between operators, and only provides for the regulator's intervention in the event of a failure of such negotiations.

(12) Pick up at sorting centres to which items are returned and/or referred; 2) pick up at one or more collection centres; 3) delivery by Poste Italiane to an address specified by other operators.

(13) Reducing companies' administrative costs is one of the cornerstones of European better regulation policies (simplification and improvement of the quality of regulation), and is aimed at increasing their competitiveness.

On 14 April 2015, AGCom issued formal notification of penalty **02/15/DSP**, launching a procedure against Poste Italiane for alleged violation of certain legal obligations relating to provision of the Universal Postal Service, with regard to the exceptional closure of 21 post offices in the Province of Messina on certain days in July and August 2014. The regulator set a deadline for completion of the procedure at 150 days from notification of the proceedings, without prejudice to any suspensions arising from further investigations. On 14 May 2015, Poste Italiane submitted a defence brief to the regulator, which was subsequently supplemented with additional evidence prepared after the Company accessed the relevant documents. With Resolution **517/15/CONS** of 25 September 2015, notified to the Company on 26 October 2015, the regulator filed the penalty procedure regarding 29 of the 42 violations initially claimed, while for the remaining 13 it extended the deadline for the procedure until 24 November 2015 in order to carry out further investigations. Subsequently, on 18 November 2015, with Resolution **631/15/CONS** AGCom ordered the Company to pay a fine of €296,000 for the 13 violations relating to the procedure regarding closure of 13 post offices.
In response to these alleged violations, Poste Italiane decided to pay the fine relating to 3 post offices, amounting to a total of €141,000, whilst opting to contest the other claims. On 18 February 2016, Poste Italiane submitted an application for re-examination of the ruling to AGCom, arguing its case and requesting cancellation of the ruling. Moreover, on 19 February 2016 the Company lodged an appeal before the Lazio Regional Administrative Court.

On 26 June 2014, as a result of a procedure launched in 2013 to which Poste Italiane also contributed, AGCom adopted Resolution **342/14/CONS**, concluding the procedure. This ruling has added to the current criteria used in deciding on the distribution of post offices, defined by the Ministerial Decree of 7 October 2008, introducing, in particular, a ban on the closure of offices located in municipalities in rural and mountain areas.

On 29 September 2014 and 8 April 2015, the Company submitted to AGCom its plan for the rationalisation of post offices and delivery offices that are not financially viable, for 2014 and 2015. In response to the plan, a number of municipalities filed administrative challenges in 2015, contesting the Company's proposals based on differing interpretations of the demographic criteria contained in AGCom 342/14/CONS. The related hearings on the merits are pending.

On 31 July 2015, the regulator notified Poste Italiane of Resolution **356/15/CONS**, whereby the penalty procedure launched against the Company on 21 January 2015, regarding its failure to raise online registered mail rates together with the increase in retail registered mail rates, was filed. The specific matter in dispute was the alleged violation of the provisions of art. 9 of AGCom Resolution 728/13/CONS, which links the rates for the two products in question.

On 10 July 2015, AGCom issued formal notification of penalty **04/15/DISP**, launching a procedure against Poste Italiane for the alleged violation of its legal obligations relating to certain post offices and local area offices, following monitoring carried out by IZI SpA in 2014 in connection with changes to post office opening hours during the summer period. The regulator set a deadline for completion of the procedure at 150 days from notification of the proceedings, without prejudice to any suspensions due to further investigations. On 7 August 2015, Poste Italiane sent the regulator a defence brief, rejecting the alleged violations. On 18 December 2015, AGCcom extended the deadline for the procedure by another 60 days, in order to further examine the legal implications of the disputed violations. On 26 February 2016, AGCom extended the deadline for the procedure by another 30 days, in order to further examine the legal implications.

On 19 October 2015, AGCom issued Directive **07/15/DISP**, claiming that Poste Italiane had failed to meet its obligations relating to legal process requirements, following inspections carried out at the Roma Prati post office, regarding 14 court documents. The Company submitted its defence brief against this claim on 18 November 2015.
On 6 November 2015, AGCom, issued Directives **08/15/DISP**, **09/15/DISP**, **10/15/DISP** and **11/15/DISP**, claiming that Poste Italiane had failed to meet certain obligations regarding provision of the Universal Service: continuity of service provision; communication with customers; and the legal process service. The Company submitted its defence against these claims to the regulator on 7 December 2015.

With Directive **1/16/DISP**, the regulator claimed that Poste Italiane had failed to meet its obligations relating to legal process requirements, following inspections carried out at the Rome Tiburtino Main Distribution Centre, as well as certain reporting obligations relating to customers. The Company submitted its defence brief against this claim on 2 March 2016.

On 3 March 2016, AGCom issued Directives **5/16/DISP** and **6/16/DSP**, claiming that Poste Italiane had failed to meet its obligations relating to legal process requirements, following inspections carried out at the Rome Belsito post office and the Naples South Main Distribution Centre, respectively. The Company will submit its defence brief within 30 days.

FINANCIAL SERVICES

SEGMENT PROFIT OR LOSS – FINANCIAL SERVICES

for the year ended 31 December (€m)	**2015**	**2014**	**Increase/(decrease)**	
Interest and similar income	1,601	1,711	(110)	-6.4%
Interest and similar expense	58	127	(69)	-54.3%
Net interest income	**1,543**	**1,584**	**(41)**	**-2.6%**
Fee and commission income	3,620	3,640	(20)	-0.5%
Fee and commission expense	57	51	6	11.8%
Net fee and commission income	**3,563**	**3,589**	**(26)**	**-0.7%**
Profits/(Losses) on trading, on disposals or repurchases and fair value adjustments in hedge accounting	428	391	37	9.5%
Net interest and other banking income	5,534	5,564	(30)	-0.5%
Net losses /recoveries on impairment of loans and advances	(9)	–	(9)	n/s
Net income from banking activities	**5,525**	**5,564**	**(39)**	**-0.7%**
Administrative expenses:	4,493	4,728	(235)	-5.0%
a) personnel expenses	126	120	6	5.0%
b) other administrative expenses	4,367	4,608	(241)	-5.2%
Net provisions for risks and charges	59	41	18	43.9%
Other operating income/(expenses)	43	29	14	48.3%
Operating expenses	4,595	4,798	(203)	-4.2%
Operating profit/(loss) (EBIT)	**930**	**766**	**164**	**21.4%**

n/s: not significant.

Operating profit generated by the Financial Services segment in 2015 amounts to €930 million, marking an increase of 21.4% on the previous year (€766 million in 2014). This was essentially generated by BancoPosta RFC's operations, which benefitted from gains made on the sale of financial assets and a reduction in administrative expenses, reflecting a decrease in transfer payments for services provided by other Poste Italiane functions. Going into greater detail, net interest income of €1,543 million is down 2.6% (€1,584 million in 2014), essentially due to a reduction in returns on BancoPosta RFC's investments, following a reduction in average interest rates on deposits invested in securities and on deposits with the Ministry of the Economy and Finance, in line with market trends.

Net fee and commission income is down from €3,589 million in 2014 to €3,563 million in 2015. This income primarily consists of commissions earned on the distribution of postal savings products, totalling €1,610 million, and €1,928 million from the processing of bills paid by payment slip, sundry payments and from other services offered to customers (e.g. insurance broking).

Net income from banking activities is down €39 million from the €5,564 million of 2014 to €5,525 million in 2015, after provisions for doubtful debts of €9 million, including impairment losses on current account overdrafts granted to BancoPosta RFC's customers.

Operating expenses are down 4.2% on the previous year, primarily due to a reduction in other administrative expenses, which benefitted from a decline in the transfer payments made by BancoPosta RFC to other Poste Italiane functions, in accordance with the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" and in application of specific operating guidelines. The reduction is explained by the new method of calculating the charge, which is now based broadly on a percentage share of revenue generated and no longer on the cost of providing the service plus a mark-up (further details are provided in the specific BancoPosta RFC Management Review).

FINANCIAL MARKET TRENDS

The continuing presence of deflationary pressures in the euro zone led the European Central Bank to take further expansionary measures, increasing the scale of its Quantitative Easing programme (this has now been extended until the end of March 2017) and reducing the ECB's deposit facility rate (-0.30% from December 2015). These policies helped to drive down the yields on government securities (between November 2014 and December 2015, yields on 10-year European sovereign debt have fallen by approximately 40 basis points), with the benefits extending to Italian sovereign debt. The spread between 10-year Treasury Notes (BTPs) and 10-year German Bunds remained below 130 basis points throughout the second half of the year, falling to 110 basis points at the end of the year.
International equity markets were in positive territory overall in 2015 (the Euro Stoxx index had recorded a 5.1% rise, on an annual basis, in December 2015), despite the decline seen in the third quarter of the year as a result of the crisis in China and the impact of the Volkswagen group's difficulties on the car industry. The Italian stock market outperformed leading international exchanges, chalking up a rise of approximately 13%. The early weeks of 2016, on the other hand, were marked by a high degree of market volatility, with all the global indexes registering negative performances, as growth expectations for Asian economies were lowered and the oil price fell.
The expansionary policies adopted in Europe contrasted with the Federal Reserve's decision to raise rates. This had an impact on the currency markets, consolidating the rise in the value of the US dollar (the average EUR/USD exchange rate in December 2015 was 1.088 versus 1.233 in December 2014).

THE BANKING SYSTEM

Bank deposits by resident Italian savers fell in 2015, with aggregate deposits totalling approximately €1,697 billion in December 2015, representing a year-on-year decline of 0.6%. This negative performance is due to falling investment in bonds, only partially offset by growth in deposits by resident customers. Funding costs (deposits, bonds and repurchase agreements) continued to follow a downward trend in 2015: the average cost of customer deposits in December 2015 was 1.19%, compared with the 1.27% of July 2015 and 1.50% of December 2014.
After the decline registered early in the year, from August on, bank lending began to see year-on-year growth for the first time since 2012. Total lending in December 2015 – excluding interbank loans – amounted to €1,830 billion, compared with the €1,828 billion of December 2014.
The ongoing crisis and its lingering effects mean that lending in Italy remains highly risky, with the banking system reporting an increase in gross doubtful loans over the year. In November 2015, such loans totalling approximately €201 billion, up around €20 billion on the previous year, whilst the percentage of total loans represented by doubtful loans stood at approximately 10.4% in the same month (9.5% in 2014; 2.8% in 2007). The average interest rate applied to consumer and corporate loans continued to fall in 2015, with the rate standing at 3.26% in December 2015, compared with 3.38% in July 2015 and 3.6% in December 2014.

PRINCIPAL COMMERCIAL INITIATIVES

2015 saw **BancoPosta RFC** proceed with a commercial strategy designed to foster the cross-selling Poste Italiane Group products. In the private current account segment, this strategy resulted in expansion of the *Conto BancoPosta Più* offering through the introduction of new promotions, with customers purchasing insurance policies or savings products being offered free banking (no annual current account fee). Likewise, business current account holders were offered a higher rate of return if they deposited their money in an *Opzione SorpRend* account for a longer period, whilst *BancoPosta In Proprio Web* account holders were offered a refund of their account fees in return for meeting certain conditions.
With regard to the distribution and management of Postal Savings products, during 2015 the issuer, Cassa Depositi e Prestiti SpA, proceeded with a review of its offering, with a view to responding to changes in the market and in customer needs. The issue of certain Interest-bearing Postal Certificates (BFPs) was halted (*Buono BFP3x4Fedeltà*, *Buono BFP3x4RisparmiNuovi* and *BFPImpresa*) and replacement products introduced, including: *BFP4x4Fedeltà* for customers redeeming at maturity certificates or bonds distributed exclusively by Poste Italiane; *BFP4x4RisparmiNuovi*, aimed exclusively at savers desiring to top up their investments; and *BFP4x4*, offering a rising interest rate and a maximum term of sixteen years. From April, the minimum investment in dematerialised certificates was lowered from €250 to €50.
New promotions were launched for Postal Savings Books, including the *Supersmart* offering for holders of *Libretto Smart* accounts. This product, which resembles a term account, enables holders to deposit money in their account in return for a fixed rate of return that is higher than the “base” rate, and varies depending on the chosen term. The only restriction imposed is that the amount deposited must be held in the account for the full duration of the contract.

In the collections and payments segment, the process of repositioning the traditional payment of bills using payment slips, so as to enable payments to be made via multiple digital channels, continued. This has resulted in the launch of a paperless payment slip, which is so far only available for use by the customers of Telecom Italia. The new procedure enables customers to pay their phone bills at a post office without the need to present a paper slip, but by simply providing their telephone number, the amount payable and the period to which the bill refers.
Certain payment slips can also be paid on line using a "fast track" procedure, simplifying the process and offering the option of receiving the receipt via e-mail.
In addition, as part of the process of ensuring compliance with the regulations issued by the Agency for a Digital Italy (AgiD), the payment slip used to pay for public services can now be printed directly by the Public Administration or sent to citizens in electronic format (pdf).
In the electronic money sector, in which the Group is present with its Postamat card (7.1 million cards at 31 December 2015 and 6.9 million cards at 31 December 2014) and Postepay card (13.5 million cards at 31 December 2015, compared with 12.2 million cards at 31 December 2014), Poste Italiane completed the rollout of contactless technology for both cards throughout the country. In June, the new *Le mie carte* service was made available, enabling Postamat Maestro, Postamat BancoPosta Click and Postepay cardholders to customise a number of functions based on their specific needs (e.g., to set limits on the amount that can be withdrawn from ATMs and spent at a POS, to enable the cards to be used only within Europe or anywhere in the world, to enable all online purchases or only those of certain categories of goods, to opt to deactivate the contactless function, etc.)
Postepay and BancoPosta Click cardholders also now have the option of choosing to use the "Dynamic 3D Secure" security solution (used by the MasterCard SecureCode and Verified by Visa services). Under this system, when making an online purchase from a 3D secure merchant, the cardholder has to enter a one-time password ("OTP"), which is valid for just one transaction and expires once used.
In addition to participation in the offering of shares in Poste Italiane, the sale and distribution of financial products included the placement, using the Group's online trading platform, of six certificates issued by Banca IMI, BNP Paribas Arbitrage Issuance BV, Deutsche Bank AG, Société Générale and Morgan Stanley BV and participation in five underwriting syndicates for public offerings for the sale and/or subscription of securities.
The offering of loan products for private customers has been repositioned through targeted price, product and process-related initiatives aimed at better meeting the needs of individual customer segments. The range of personal loans has been expanded, with the introduction of products designed to fulfil specific purposes (debt consolidation, home improvements and energy efficiency) and offering a series of flexible options (repayment holidays, changes to instalments). The range of *Quinto BancoPosta* salary loans was extended, with the addition of low-interest products for public employees, whilst the price of BancoPosta's mortgage loans was cut and refinancing and remortgage options reintroduced. A number of applications for renegotiation were also handled.
In 2015, **Banca del Mezzogiorno-Mediocredito Centrale SpA** continued to provide support for creditworthy companies operating in southern Italy, through its lending activities and by promoting and facilitating access to government subsidies. The Business Plan for the period 2015-2017, approved in July 2015, also introduced a number of new strategic options and operating processes in order to achieve cost efficiencies, contain risk and stabilise the financial position.
The bank aims to increase its lending activities by, among other things, strengthening its commercial model; achieving balanced growth in its loan book, partly by expanding its product offering; and by increasing its use of medium/long-term funding, in line with regulatory requirements regarding operating and structural liquidity.
The bank's management of public funds and subsidies, and above all of the *Fondo di Garanzia per le PMI* (a guarantee fund for SMEs), continued to expand: applications, numbering over 105 thousand, are up 17% on 2014, with 103 thousand approved loans (up 19% on 2014), totalling more than €15 billion (up 17% compared with the previous year).
Regarding the incentives for national research projects promoted by the Ministry for Economic Development (MISE), as head of a temporary consortium of companies, the bank was awarded a contract in 2014 to provide assistance and support to the Ministry in approving, disbursing, controlling and monitoring the grants provided for research, development and strategic innovation projects within the scope of the *Fondo per la Crescita Sostenibile* (the Sustainable Growth Fund). The bank continued to coordinate the related services in 2015. Assessments were carried out for four calls for applications by the Fund, with over 370 applications submitted and more than €360 million in subsidised loans and €23 million in grants already approved.
The bank reports net income of €32.4 million in 2015 (€37.6 million in 2014). Despite the fact that operating profit held up well (€101 million in 2015, compared with €100 million in 2014), the performance reflects previously mentioned provisions for doubtful debts, with particular regard to non-performing loans and extraordinary contributions to the *Fondo Nazionale di Risoluzione* (Italy's National Resolution Fund) during the year.
BancoPosta Fondi SpA SGR continued to carry out activities relating to its two lines of business, represented by individual and collective investment services, in 2015.
On 8 June 2015, placement of a new flexible mutual investment fund, named *BancoPosta Selezione Attiva*, began. The fund aims to provide moderate capital growth over the medium term through diversified investment of the assets managed.

Following Poste Italiane's acquisition of 10.32% of Anima Holding, on 31 July 2015 BancoPosta Fondi Sgr and Anima Holding signed a partnership agreement. This was followed, in the period from 24 September to 24 December 2015, by placement of the first ever mutual investment fund to be distributed in partnership with Anima, called *BancoPosta Evoluzione 3D*. This is again a flexible fund, which aims to accumulate capital through a gradual increase in its exposure to equities – over a period of 5 years from the end of the subscription period – and then through active management of the resulting portfolio, whilst remaining within precise risk limits.
Finally, from 1 January 2016, the company has appointed Anima SGR to manage the assets of 3 existing mutual investment funds, in accordance with art. 33, paragraph 4 of Legislative Decree 58 of 24 February 1998 (*Mix1*, *Mix2* and *Azionario Internazionale*). Management of the funds was, until 31 December 2015, carried out by Pioneer Investment Management SGRpA, again in accordance with art. 33, paragraph 4 of the above decree.
Total assets under management in relation to the company's lines of business amount to €70.29 billion at 31 December 2015 (up 13% on the €62.2 billion of the end of 2014). Of this amount, €64.4 billion (€57.2 billion at 31 December 2014) regards the investment portfolio management service provided to the Poste Vita insurance group and €5.7 billion (€5.0 billion at the end of December 2014) pertains to collective investment services. Given that there were no redemptions, the net inflow into the investment portfolio management service coincides with the gross inflow of €4.2 billion.
With regards to collective investment services, the gross inflow for the year amounts to €2.0 billion, up 18% on the previous year (€1.7 billion in 2014). Redemptions amounted to €1.3 billion (€1.4 billion in 2014). The performance of gross inflows and redemptions has thus resulted in a net inflow of €676 million (€292 million at 31 December 2014).
The principal contribution to total gross inflows was primarily from balanced funds (€789 million, accounting for 39.4% of total inflows), followed by flexible funds (€526 million, 26.2% of total inflows), bond funds (€430 million, 21.5% of total inflows), equity funds (€219 million, 10.9% of total inflows) and money market funds (€40 million, 2.0% of total inflows). Redemptions primarily related to bond funds (56% of the total).

OPERATING RESULTS

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Revenues from management of liquidity gathered and related investments(1)	1,974	2,045	(71)	-3.5%
Revenues from postal savings	1,610	1,640	(30)	-1.8%
Revenues from fees for encashment and payment services(2)	1,058	1,154	(96)	-8.3%
Revenues from the placement and distribution of financial products(3)	305	290	15	5.2%
Revenues from electronic payment services(4)	241	229	12	5.2%
Total	**5,188**	**5,358**	**(170)**	**-3.2%**

(1) Includes returns and capital gains from sales.
(2) Includes fees for the acceptance of payment slips, delegated services, fund transfers and other revenues from bank accounts.
(3) Includes revenues related to loans, credit cards, other investment products, BancoPosta Fondi and Banca del Mezzogiorno.
(4) Includes fees on prepaid cards, debit cards and acquiring services.

Revenue generated by Financial Services is down from the €5,358 million of 2014 to €5,188 million in 2015. This primarily reflects:

- the performance of revenue from the investment of customer deposits which, despite a rise in the amount invested due to an increase in deposits(14), is down 3.5% (€1,974 million in 2015, compared with €2,045 million in 2014), reflecting a reduction in average interest rates on both deposits invested in securities and on deposits with the Ministry of the Economy and Finance;
- a reduction in revenue from collection and payment services, due to a decrease in revenue from the processing of tax payments using forms F23/F24.

Sales of postal savings products, where revenue is linked to a mechanism agreed with Cassa Depositi e Prestiti SpA (tied to the achievement of targets in terms of net savings inflows and average deposits), contributed €1,610 million to revenue (€1,640 million in 2014).
At 31 December 2015, Savings Book deposits amount to €118.7 billion (€114.4 billion at 31 December 2014), whilst savings in the form of Interest-bearing Postal Certificates amount to €206.1 billion (€211,3 billion at 31 December 2014).

As mentioned above, revenue from collection and payment services is down 8.3% compared with the previous year, declining from €1,154 million in 2014 to €1,058 million in 2015. In greater detail:

- fees from the processing of payment slips and tax payments using forms F23/F24 are down 10.4% from €688 million in 2014 to €616 million in 2015, primarily reflecting revision of the fees received in return for processing F24 tax payments in accordance with the agreement reached with the *Agenzia delle Entrate* (tax authorities) that came into effect in mid-July 2014; moreover, the figure for 2014 benefitted from transactions involving the payment of local taxes that were no longer payable in 2015;
- there was an 18% decrease in money transfer revenue (€45 million in 2015, compared with €55 million in 2014), primarily due to a fall in the volume of domestic transfers (4.9 million transactions in 2015, compared with 5.4 million in 2014);
- Delegated service revenue of €123 million (€136 million in 2014) includes, among other things, commissions received in return for the payment of INPS (National Social Insurance Institute) pensions, totalling €60 million (€69 million in 2014), and commissions earned on the payment of pensions and other sums for the Ministry of the Economy and Finance, totalling €57 million. The decrease in commissions was basically due to the reduction in pensions paid at post offices, as opposed to those paid directly into a current account on which, from 1 June 2015, a lower commission is charged.

Revenue from the placement and distribution of financial products issued by third-party entities is up 5.2%, benefitting, among other things, from increased revenue from the sale of loan products (€123 million in 2015, compared with €108 million in 2014). This reflects the following:

- a €146 million increase in the value of loans disbursed (€1,284 million in 2015, compared with €1,138 million in 2014), resulting in an increase in revenue of €9 million (€95 million in 2015, compared with €86 million in 2014);
- despite growth of €131 million in the amount disbursed (€302 million in 2015, compared with €171 million in 2014), a reduction of €0.7 million in fees from the sale of mortgages (€5.8 million in 2015, compared with €6.5 million in 2014), reflecting the revised fees paid by commercial partners;
- an increase of €72 million in the volume of salary loans disbursed (€307 million in 2015, compared with €235 million in 2014), resulting in revenue growth of €7 million (€22 million in 2015, compared with €15 million in 2014).

Revenue from the provision of electronic money services is up from €229 million in 2014 to €241 million in 2015, essentially due to the positive performance of the Postepay product (generating revenue of €131 million, compared with the €119 million of the previous year). This benefitted particularly from an increase in income linked to the issue and use of Postepay Evolution cards.

(14) Average deposits were up from €43.9 billion in 2014 to €45.2 billion in 2015.

INSURANCE SERVICES

SEGMENT PROFIT OR LOSS – INSURANCE SERVICES

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Net insurance premium revenue	**18,197**	**15,472**	**2,725**	**17.6%**
gross premium revenue	18,238	15,508	2,730	17.6%
outward reinsurance premiums	41	36	5	13.9%
Net financial income from assets related to traditional products	**2,352**	**2,793**	**(441)**	**-15.8%**
Net financial income from assets related to index- and unit-linked products	**193**	**525**	**(332)**	**-63.2%**
Net change in technical provisions for insurance business and other claims expenses	**19,683**	**17,883**	**1,800**	**10.1%**
Claims paid	8,038	5,536	2,502	45.2%
Net change in technical provisions for insurance business	11,660	12,369	(709)	-5.7%
Change in technical provisions where investment risk is transferred to policyholders	15	22	(7)	-31.8%
Investment management expenses	**27**	**22**	**5**	**22.7%**
Acquisition and administration costs	**529**	**454**	**75**	**16.5%**
Net commissions and other acquisition costs	414	359	55	15.3%
Operating costs	115	95	20	21.1%
Other revenues/(costs), net	**(16)**	**(16)**	**–**	**n/s**
Operating profit/(loss) (EBIT)	**487**	**415**	**72**	**17.3%**

n/s: not significant.

The Insurance Services segment reports operating profit of €487 million, marking an increase of €72 million compared with 2014. This significant result is primarily due to the positive operating performance of the Poste Vita insurance group, whose sales of primarily Class I and V investment and savings products has resulted in total premium revenue of €18.2 billion, after the portion ceded to reinsurers (€15.5 billion in premium revenue in 2014).

Net finance income from securities related to traditional products amounts to €2,352 million, having fallen 15.8% compared with €2,793 million of 2014. The performance reflects financial market trends, which resulted in the recognition of net unrealised losses of €435 million, compared with net gains of €123 million in 2014. However, given that these investments are included in the separately managed accounts covering the matching insurance liabilities, this amount has been attributed in full to policyholders under the shadow accounting method. In contrast, despite a market scenario marked by falling yields on government securities, ordinary income, thanks to growth in assets under management, amounts to €2,786.6 million, up €119 million on the figure for 2014.

Financial market trends, together with the reduction in volumes due to the a number of Class III products reaching maturity, are also reflected in investments linked to index- and unit-linked products, which generated total finance income of €193 million in 2015, down on the €525 million of 2014. This amount is, in any event, almost entirely matched by a corresponding change in technical provisions.

As a result of the above operating performance and the corresponding revaluation of insurance liabilities due to the positive financial performance, the matching change in technical provisions, after the portion ceded to reinsurers, amounts to €19,683 million, compared with €17,883 million in the previous year. Claims paid to customers, inclusive of policy expirations of approximately €3.8 billion amount to approximately €8.0 billion (€5.5 billion in 2014). Total surrenders accounted for 3.3% of initial provisions (3.7% for 2014), a figure that continues to be far lower than the industry average.

Investment management expenses of €27 million at the end of 2015 compare with the €22 million of 2014. These include portfolio management fees of €24.6 million and fees for the custody of securities, totalling €2.4 million. These increases are due to growth in the portfolio.

Infra-group commissions for distribution and collection amount to €414 million (€359 million in 2014), accounting for 2.3% of premium revenue.

Operating expenses of €115 million are up 21.1% compared with 2014, reflecting increases in the quality and size of the company's workforce and its investments. However, operating expenses continue to account for around 0.6% of premium revenue and 0.1% of provisions, broadly in line with the figures for 31 December 2014 and well below the market average.

THE INSURANCE MARKET

Whilst the final official data is not yet available, the estimated figure for gross premium revenue in the **life insurance market**, in 2015, is approximately €115 billion, up approximately 4% on the figure for 2014. The performance was largely due to significant growth in premium revenue for Class III products (up 46% compared with 2014), which more than offset a reduction in Class I premiums (down 6% compared with 2014).
In terms of new business for individual and collective policies sold by Italian and non-EU-registered insurers (so-called "direct premiums written in Italy"), thus excluding premiums for regular premium policies written in previous years, premium revenue was close to €100 billion, up 5.8% compared with the previous year and setting an all-time record.
Analysing the composition and performance of new business, Class I continues to be the best-selling form of insurance, despite registering a reduction of 4.8% compared with the previous year. This Class accounts for two-thirds of total premium revenue. Premiums invested in unit-linked funds are up 49% compared with 2014 and represent around 30% of new business. New business in terms of Class VI and Class IV products, regarding pension funds and long-term health insurance, respectively, remains marginal.
The above trends show how 2015 marks a shift in the market towards investment-linked insurance policies, as opposed to the traditional type of insurance product. The main driver of this shift is the economic situation, which has led customers to look for and insurers to provide forms of investment providing a more efficient risk-return profile. The offer of so-called multi-line products, which allow customers to allocate their investment between a mix of separately managed and one or more unit-linked components, has definitely contributed to this change.
In terms of distribution channel, post offices and banks account for approximately 70% of sales (up around 5% on 2014). The second most important channel, in terms of premium revenue, is represented by financial promoters, with a market share of around 17% (up 22% compared with 2014), whilst agents account for approximately 10% of premium revenue (up 1% on 2014).

Finally, sales of pure risk insurance and individual pension plans, whilst making a marginal contribution of just 1.7% to revenue, account for almost 30% of new business or premiums written during the year. Clearly, the value of these inflows, made up of regular premiums collected over the very long term, is not to be found in the amount of the premiums collected in the year of issue, which given the nature of the policies is obviously low. Their value is rather to be found in the intrinsic financial and commercial nature of the products, which enable insurers to benefit from the automatic collection of regular premiums over time and to establish ongoing, long-term relationships with the households insured.
In the **non-life market**, insurance companies as a whole (Italian, EU and non-EU-registered companies) registered a 1.5% decline in total premium revenue compared with 2014, with total revenue amounting to €25.9 billion. This reflects a reduction in vehicle insurance (down 5.4%), only partially offset by modest growth in premiums in other non-life classes (up 2.9%). The classes that performed best were: Financial Loss (€540 million, up 2.9%), Health (€1,549 million, up 4.9%) and General Third Party Liability (€2,741 million, up 5.3%).
In terms of distribution channels, agents account for 79.5% of non-life sales. The number of policies sold through other direct channels (in-house agents, telephone and online sales) accounted for 8.4% of total sales at the end of September 2015 (in the case of products other than car insurance, the figure is approximately 7.8%), whilst 4.8% of policies are sold through banks and post offices.

In keeping with the strategic objectives pursued in previous years, in 2015 the **Poste Vita insurance group** primarily focused its efforts on:

- strengthening its leadership in the life insurance market and consolidating its competitive position;
- responding to new customer needs in terms of welfare, health, long-term care and income security both during and after the end of their working lives, driving the development of a new insurance model (life and non-life) capable in one go of responding to demand for protection, savings, investment and pension provision.

Thanks partly to a constant focus on products, stepping up support to the distribution network and growing customer loyalty, the efforts of the parent company, Poste Vita, concentrated almost exclusively on the offer of Class I and V investment and savings products (traditional separately managed accounts), whilst the contribution from sales of Class III products was marginal. However, in a market where products with a significant investment component are proving the most popular ("multi-line" and "unit-linked" products), the company diversified its offering with the introduction of a new "multi-line" product, sales of which are still marginal, but which is expected to make a growing contribution to overall inflows in the future.
Sales of regular premium products also performed well (Multiutile Ricorrente*,* Long Term Care*,* Posta Futuro Da Grande), with over 166 thousand policies sold during the year, as did sales of the PostaPrevidenzaValore product which, with over 80 thousand policies sold and a total number of members amounting to 785 thousand, has enabled the company to

consolidate its role in the pensions market. Sales of pure risk policies (term life insurance) also performed well. These are sold in stand-alone versions (not bundled together with products of a financial nature), with over 31.5 thousand new policies sold during the year, whilst around 92.8 thousand 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.
While the contribution of the non-life business to the Group's results is still limited, the segment recorded a positive performance, with gross premium revenue for the period of €93.3 million (on sales of approximately 287 thousand new policies), up 18% compared with 2014.
In terms of investments during the year, against a backdrop of falling interest rates and declining yields on government securities, the insurance group continued to pursue a strategy for separately managed accounts designed to increasingly match investments to insurance obligations and, at the same time, run a portfolio that can provide stable returns.
The investment policy continues to be marked by the utmost prudence, with the portfolio primarily invested in Italian government securities and highly-rated corporate bonds, and with an overall exposure that, whilst lower compared with 2014, represents over 75% of the entire portfolio. In addition, in 2015, the company continued with the process of diversifying investments, begun in the second half of 2014, by increasing the exposure to equities (up from 4.4% to 10.6%), above all multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type, whilst maintaining a moderate risk appetite. In line with its strategic asset allocation policy, moreover, the company has begun investing in real estate funds (targeting retail and office properties) in Europe and Italy. The returns on separately managed accounts were positive (4.7 % for PostaPrevidenza and 3.6 % for PostaValorePiù).
As a result of the above operating and financial performance, technical provisions for the direct Italian portfolio amount to €90.5 billion (€77.7 billion at the end of 2014), including €81.7 billion for Class I and V products (€68.4 billion at the end of 2014). Provisions for products where the investment risk is borne by policyholders amount to €7.2 billion (€8.5 billion at 31 December 2014). Deferred Policyholder Liability (DPL) provisions, linked to the change in the fair value of the financial instruments covering the provisions, remained at €9.7 billion, which is broadly in line with the figure at the beginning of the year despite increased market volatility. Technical provisions for the non-life business, before the portion ceded to reinsurers, amount to €0.1 billion at the end of the year, up 25% compared with 2014.
With regard to organisational aspects, during 2015 the Company continued to expand and develop the quality of its workforce, in step with its growing size and the increase in business. This has enabled it to follow up on the large number of projects in pursuit of growth and achieve continuing functional/infrastructural improvements in key business support systems. In particular, all the activities designed to ensure compliance with the prudential Solvency II regulations, which came into effect from 1 January 2016, continued. This included adaptation of the Company's governance model and organisational and operating structure, with a view to strengthening decision-making processes and optimising risk management procedures, in order to increase and safeguard value creation. The following were carried out within the framework of the transitional measures drawn up by the EIOPA (the European Insurance and Occupational Pensions Authority) and adopted by IVASS (the insurance industry regulator): solvency ratios were computed according to the standard Solvency II formula; stress tests and prospective assessments of risk and solvency were conducted; the disclosures required for the Solvency II balance sheet were prepared and submitted to IVASS; on 3 June and 15 July 2015, the first supervisory reports for the reporting date of 31 December 2014 were filed, as were, on 25 November 2015 and 7 January 2016, those for the third quarter of 2015. The procedures carried out have shown how the transition from Solvency I to Solvency II has significantly benefitted Poste Vita in terms of capital. The company's solvency ratio at 31 December 2015, determined on the basis of the new requirements, stands at 405%, marking a significant improvement on the same ratio calculated in accordance with Solvency I guidelines (113%).
The two regimes are based on structurally different approaches. Solvency II quantifies the capital needed by an insurance company based on its effective risks. In contrast, under Solvency I, capital requirements are computed on a simplified basis, primarily based on the size of the technical provisions. The transition from one regime to the other thus results in a reduction in capital requirements from €3,567 million to €1,687 million.
Solvency II regulations have also introduced major changes in the calculation of the available margin which, under the new regime, is based on the difference between the market value of assets and liabilities, the latter increased by a risk margin. Under Solvency I, available capital is, instead, calculated on the basis of statutory accounting policies. This has resulted in an increase in available capital for solvency purposes from €4,044 million to €6,841 million as a result of the transition between the two regimes. This increase is largely explained by the present value of future gains on the existing portfolio, quantification of which, at the reporting date, is of particularly significance for Poste Vita SpA.
Finally, on 4 November 2015, Poste Vita SpA completed the acquisition of a 100% interest in S.D.S. System Data Software Srl, which in turn owns a 100% interest in S.D.S. Nuova Sanità Srl, for a total consideration of €20.9 million. The transaction forms part of the wider strategy of broadening the Group's offering of health insurance for individuals and groups of people. Both companies operate in the IT sector, providing services and managing claims on behalf of, among others, private health funds that offer integrated healthcare (above all the Fasi and Faschim funds). The companies also design, develop and maintain management software and provide IT services for businesses.

OTHER SERVICES

SEGMENT PROFIT OR LOSS – OTHER SERVICES

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Revenue from sales and services	239	236	3	1.3%
Other operating income	4	4	–	n/s
Total external revenue	**243**	**240**	**3**	**1.3%**
Intersegment revenue	91	85	6	7.1%
Total revenue	**334**	**325**	**9**	**2.8%**
Cost of goods and services	217	215	2	0.9%
Personnel expenses	21	24	(3)	-12.5%
Depreciation, amortisation and impairments	39	48	(9)	-18.8%
Capitalised costs and expenses	–	(2)	2	n/s
Other operating costs	7	8	(1)	-12.5%
Intersegment costs	19	18	1	n/s
Total costs	**303**	**311**	**(8)**	**-2.6%**
Operating profit/(loss) (EBIT)	**31**	**14**	**17**	**n/s**

n/s: not significant.

The Other Services segment, which includes the company, **PosteMobile**, reports operating profit of €31 million for 2015, up €17 million on the previous year. The performance of the mobile telecommunications business reflects the Company's commitment to initiatives designed to acquire higher value customers, which has enabled it to grow its customer base (3.6 million lines at 31 December 2015, compared with 3.3 million at the end of 2014) and consolidate the quality of acquisitions. Good performances were also registered by voice services, with over 5.3 billion minutes used in 2015 (up 16% on the previous year), and above all by data services, with substantial growth of more than 3,900 terabytes (up 90% on 2014).

Overall, total revenue is up 2.8% to €334 million, benefitting from the increase in voice revenue and the flat-rate offering. Whilst volumes have increased, costs have fallen, declining from €311 million in 2014 to €303 million in 2015. In particular, personnel expenses are down 12% to €21 million (€24 million in 2014), due to a reduction in the average workforce. Depreciation, amortisation and impairment losses are also down 19% to €39 million (€48 million in 2014), following termination, in 2014, of the finance lease for the MVNE technology platform.

THE MOBILE TELECOMMUNICATIONS MARKET

The mobile telecommunications market saw overall negative growth in 2015, although the major operators witnessed a slowdown in revenue decline compared with 2014.
The figures presented by the *Autorità per le Garanzie nelle Comunicazioni* – the Italian Communications Authority (*AGCom*) in its Quarterly Bulletin revealed that the slowdown in customer acquisitions, affecting all MNOs (Mobile Network Operators), continued during 2015. At 30 September 2015, the total number of lines stood at approximately 93.1 million, down 1.8% on the same period of 2014, whilst the estimated penetration rate stood at 153%, two percentage points lower than the figure for 2014.
At the end of the third quarter of 2015, the mobile market's total customer base registered a year-on-year reduction of 1.7 million lines, deriving from a decrease of 1.9 million for MNOs and an increase of 0.2 million for MVNOs (Mobile Virtual Network Operators). In this context, PosteMobile affirmed its position as market leader among MVNOs, with a market share of 52%.
In 2015, the leading operators substantially rationalised their price offerings, giving customers a great deal of choice regarding the composition of their price plans and enabling them to activate a wide range of options, not only for traditional services, but also for on-demand TV/video and streaming packages, with a view to capturing a large portion of consumers' communication and entertainment spend. The trend towards convergent landline and mobile services continued and strengthened.
In the business market, operators aim to play a leading role in the digital transformation of Italian companies across all sectors, including the Public Administration.

Operations during the year saw innovation of the commercial offering, which was enhanced by various initiatives, and the Company's further expansion in the mobile payment services market, in which PosteMobile consolidated its position, registering total transactions of €460 million (up 36% on 2014). The steady growth of the app which, with more than 1.2 million downloads, is one of the leading mobile wallet services in the Italian mobile market, was further strengthened with the introduction of a process that enables customers to link their Conto BancoPosta and Postepay accounts to their SIM card, directly via the internet or using a smartphone, without having to visit a post office. In 2015, more than 160,000 customers linked their Conto BancoPosta and/or Postepay accounts to their phone number, thus enabling them to make payments in a simple and secure way directly through digital channels.
The success of the PosteMobile app led Poste Italiane to apply the same "white label" logic to creation of the new version of the BancoPosta app, which was made available to all Poste Italiane customers in July 2015, regardless of their mobile operator. From December 2015, all the functions of the *Sconti BancoPosta* app have been added to the new app, thus expanding the range of services offered to customers.
Just under six months after the roll-out, taking into account new installations and updates of the previous version, the BancoPosta app had registered over 650,000 downloads, enabling 260,000 customers to use its payment services and complete transactions worth more than €90 million.

In the consumer market, PosteMobile has adopted a strategy aimed at supporting market share growth, in terms of volumes and value, focusing on commercial initiatives, especially flat-rate price plans in the *Creami* range, where the offering is structured around bundles that customers may freely use for any service (voice, text and data). In the fourth quarter of 2015, PosteMobile also began marketing its LTE (Long Term Evolution) service, strengthening its competitive positioning with respect to traditional mobile phone operators and becoming Italy's first MVNO to offer its customers a fast 4G service, delivering data speeds up to 150 Mbps.

In the Small Office Home Office (SoHo) market, the product range has seen the launch of a promotional initiative, *PM Ufficio Full*, targeting professionals looking to switch from another operator. The offer features unlimited calls and texts and 3GB of data.
In 2015, PosteMobile was also very active in the Business and Public Administration segment, collaborating with the main public transport companies in Emilia Romagna, for which it created an integrated ticket inspection and fine management solution.
In line with its mission to modernise and simplify the Italian mobile market, and to create value for the Group, PosteMobile continued to drive the spread of NFC services. Specifically, thanks to its *Super SIM*, almost 900,000 NFC SIM cards were distributed during the year.

GROUP FINANCIAL POSITION AND CASH FLOW

NET INVESTED CAPITAL AND RELATED FUNDING

at 31 December (€m)	2015	2014	Increase/(decrease)	
Non-current assets:				
Property, plant and equipment	2,190	2,296	(106)	-4.6%
Investment property	61	67	(6)	-9.0%
Intangible assets	545	529	16	3.0%
Investments accounted for using the equity method	214	1	213	n/s
Total non-current assets (a)	**3,010**	**2,893**	**117**	**4.0%**
Working capital:				
Inventories	134	139	(5)	-3.6%
Trade receivables and other receivables and assets	5,546	7,247	(1,701)	-23.5%
Trade payables and other liabilities	(4,398)	(4,080)	(318)	7.8%
Current tax assets and liabilities	19	635	(616)	-97.0%
Total working capital: (b)	**1,301**	**3,941**	**(2,640)**	**-67.0%**
Gross invested capital (a+b)	**4,311**	**6,834**	**(2,523)**	**-36.9%**
Provisions for risks and charges	(1,397)	(1,334)	(63)	4.7%
Provisions for employee termination benefits and pension plans	(1,361)	(1,478)	117	-7.9%
Deferred tax assets/(liabilities)	(554)	(345)	(209)	60.6%
Net invested capital	**999**	**3,677**	**(2,678)**	**-72.8%**
Equity	**9,658**	**8,418**	**1,240**	**14.7%**
Net funds	**8,659**	**4,741**	**3,918**	**82.6%**

n/s: not significant.

The Poste Italiane Group's **Net Invested Capital** at 31 December 2015 amounts to €999 million, amply financed by equity. A comparison with the end of the previous year, when the figure was €3,677 million, shows a significant reduction due to movements in working capital, following the collection of significant receivables, as described in greater detail below.
Non-current assets of €3,010 million are up €117 million compared with the end of 2014. The movement in this indicator in 2015 reflects the Parent Company's acquisition of a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) on 25 June 2015 for a consideration of €210.5 million. Further movements in non-current assets reflect capital expenditure of €488 million, primarily relating to investment in IT assets. Depreciation, amortisation and impairments (after reversals of impairments) of *property, plant and equipment*, *intangible assets* and *investment property* during the year amounts to €581 million.

Working capital amounts to €1,301 million at 31 December 2015, marking a decline of €2,640 million compared with the end of 2014. This primarily reflects recognition of the main items receivable from central and local government entities after discussions with the MEF. On 7 August 2015, the MEF committed *"the Ministry to complete all the procedures necessary in order to pay the amounts due in accordance with procedures and timing consistent with the current privatisation process (…) including provision of the necessary funding"* and, to this end, sent the Parent Company a letter signed by the Director General of the Treasury Department and General Accounting Office. As a result of this commitment, the Company received amounts accruing in 2015 and in previous years as Universal Service compensation and other items, making a total of €1,628 million.
The balance of working capital also reflects the collection of €535 million of amounts due from the Parent Company's majority shareholder,the MEF,in accordance with the 2015 Stability Law, relating to the return of amounts deducted from the Parent Company's retained earnings in 2008 and transferred to the MEF, pursuant to European Commission Decision C42/2006. Further details on this are provided in the section 12, "Other information". The reduction in working capital is also due to the collection of fees receivable in return for the Parent Company's distribution of postal savings products on behalf of Cassa Depositi e Prestiti, which under the agreement signed on 4 December 2014 are now invoiced on a quarterly, rather than a half-yearly, basis.

Equity amounts to €9,658 million at 31 December 2015, marking an increase of €1,240 million compared with 31 December 2014. The increase primarily reflects profit for the year of €552 million and movements in the fair value reserves net of tax (€926 million), as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC and Poste Vita SpA.
Reductions in equity, in 2015, include the Parent Company's payment of dividends to the then sole shareholder, the MEF, totalling €250 million.

ANALYSIS OF NET FUNDS/(DEBT)

GROUP NET FUNDS/(DEBT) BY OPERATING SEGMENT

Balance at 31 December 2015 *(€m)*	Postal and Business Services	Financial Services	Insurance Services	Other Services	Eliminations	Consolidated amounts
Financial liabilities	**(2,442)**	**(55,410)**	**(1,218)**	**(4)**	**1,596**	**(57,478)**
Postal current accounts	–	(43,755)	–	–	287	(43,468)
Bonds	(811)	(479)	(758)	–	–	(2,048)
Borrowings from financial institutions	(917)	(6,101)	–	–	–	(7,018)
Other borrowings	(1)	–	–	–	–	(1)
Finance leases	(6)	–	–	(4)	–	(10)
Derivative financial instruments	(52)	(1,547)	–	–	–	(1,599)
Other financial liabilities	(14)	(3,314)	(6)	–	–	(3,334)
Intersegment financial liabilities	(641)	(214)	(454)	–	1,309	–
Technical provisions for insurance business	**–**	**–**	**(100,314)**	**–**	**–**	**(100,314)**
Financial assets	**1,390**	**57,633**	**102,350**	**26**	**(1,309)**	**160,090**
Loans and receivables	141	10,301	66	–	–	10,508
Held-to-maturity financial assets	–	12,886	–	–	–	12,886
Available-for-sale financial assets	581	33,417	83,871	–	–	117,869
Financial assets at fair value through profit or loss	–	–	18,132	–	–	18,132
Derivative financial instruments	–	450	245	–	–	695
Intersegment financial assets	668	579	36	26	(1,309)	–
Technical provisions for claims attributable to reinsurers	**–**	**–**	**58**	**–**	**–**	**58**
Net financial assets/(liabilities)	**(1,052)**	**2,223**	**876**	**22**	**287**	**2,356**
Cash and deposits attributable to BancoPosta	**–**	**3,161**	**–**	**–**	**–**	**3,161**
Cash and cash equivalents	**1,316**	**489**	**1,608**	**16**	**(287)**	**3,142**
Net funds/(debt)	**264**	**5,873**	**2,484**	**38**	**–**	**8,659**

Balance at 31 December 2014 *(€m)*	**Postal and Business Services**	**Financial Services**	**Insurance Services**	**Other Services**	**Eliminations**	**Consolidated amounts**
Financial liabilities	**(3,434)**	**(52,529)**	**(1,305)**	**(6)**	**1,915**	**(55,359)**
Postal current accounts	–	(40,927)	–	–	312	(40,615)
Bonds	(809)	(479)	(757)	–	–	(2,045)
Borrowings from financial institutions	(1,751)	(6,660)	–	–	–	(8,411)
Other borrowings	(3)	–	–	–	–	(3)
Finance leases	(8)	–	–	(6)	–	(14)
Derivative financial instruments	(58)	(1,721)	–	–	–	(1,779)
Other financial liabilities	(15)	(2,474)	(3)	–	–	(2,492)
Intersegment financial liabilities	(790)	(268)	(545)	–	1,603	–
Technical provisions for insurance business	**–**	**–**	**(87,220)**	**–**	**–**	**(87,220)**
Financial assets	**1,648**	**52,521**	**90,102**	**21**	**(1,603)**	**142,689**
Loans and receivables	256	8,618	23	–	–	8,897
Held-to-maturity financial assets	–	14,100	–	–	–	14,100
Available-for-sale financial assets	581	29,553	77,013	–	–	107,147
Financial assets at fair value through profit or loss	–	–	12,155	–	–	12,155
Derivative financial instruments	–	182	208	–	–	390
Intersegment financial assets	811	68	703	21	(1,603)	–
Technical provisions for claims attributable to reinsurers	**–**	**–**	**54**	**–**	**–**	**54**
Net financial assets/(liabilities)	**(1,786)**	**(8)**	**1,631**	**15**	**312**	**164**
Cash and deposits attributable to BancoPosta	**–**	**2,873**	**–**	**–**	**–**	**2,873**
Cash and cash equivalents	**305**	**1,040**	**656**	**15**	**(312)**	**1,704**
Net funds/(debt)	**(1,481)**	**3,905**	**2,287**	**30**	**–**	**4,741**

INDUSTRIAL NET DEBT IN ACCORDANCE WITH ESMA GUIDELINES

An analysis of the industrial net funds/(debt) of the Postal and Business Services and Other Services segments at 31 December 2015, in accordance with ESMA guidelines, computed on the basis of paragraph 127 of the recommendations contained in ESMA document 319 of 2013, is provided below:

at 31 December (€m)	**2015**	**2014**
A. Cash	2	3
B. Other cash equivalents	1,330	317
C. Securities held for trading	–	–
D. Liquidity (A+B+C)	**1,332**	**320**
E. Current loans and receivables	**169**	**183**
F. Current bank borrowings	(516)	(1,351)
G. Current portion of non-current debt	(14)	(13)
H. Other current financial liabilities	(21)	(24)
I. Current financial debt (F+G+H)	**(551)**	**(1,388)**
J. Currrent net funds/(debt) (I+E+D)	**950**	**(885)**
K. Non-current bank borrowings	(400)	(400)
L. Bond issues	(798)	(796)
M. Other non-current liabilities	(56)	(66)
N. Non-currrent financial debt (K+L+M)	**(1,254)**	**(1,262)**
O. Industrial net funds/(debt) (ESMA guidelines) (J+N)	**(304)**	**(2,147)**
Non-current financial assets	553	654
Industrial net funds/(debt)	**249**	**(1,493)**
Intersegment loans and receivables	668	811
Intersegment financial liabilities	(615)	(769)
Industrial net funds/(debt) (before adjusting for intersegment transactions)	**302**	**(1,451)**
of which:		
– Postal and Business Services	*264*	*(1,481)*
– Other	*38*	*30*

LIQUIDITY

for the year ended 31 December (€m)	**2015**	**2014**
Cash and cash equivalents at beginning of period	**1,704**	**1,445**
Cash flow from/(for) operating activities	2,563	(79)
Cash flow from/(for) investing activities	(689)	(346)
Cash flow from/(for) financing activities and shareholder transactions	(436)	684
Movement in cash	1,438	259
Cash and cash equivalents at end of period	**3,142**	**1,704**
of which:		
Cash subject to investment restrictions	*1*	*511*
Cash attributable to technical provisions for insurance business	*1,324*	*415*
Other cash subject to restrictions	*34*	*31*

Operating activities generated a cash inflow of €2,563 million as a result of, among other things, profit for the year (€552 million) and the positive movement in working capital (up €2,040 million). As noted above with regard to movements in working capital, this reflects the collection of Universal Service compensation and other receivables.
The cash generated was used to fund the acquisition of a 10.32% interest (€210.5 million) in Anima Holding SpA, to finance capital expenditure which, after disposals, resulted in an outflow of €484 million, and to pay off short-term borrowings of approximately €800 million.
Cash and cash equivalents is up €1,438 million, after the payment of dividends of €250 million and the collection of €535 million from the MEF as a result of the return of amounts deducted from the Parent Company's retained earnings in 2008 and transferred to the MEF, pursuant to European Commission Decision C42/2006.

Net funds amount to €8,659 million at 31 December 2015, marking a significant improvement on the figure for 31 December 2014 (when net funds totalled €4,741 million). This reflects, among other things, the component linked to fair value measurement of investments in securities, primarily by BancoPosta RFC, and, to a lesser extent, by the subsidiary, Poste Vita, amounting to approximately €3,775 million (€2,651 million at 31 December 2014).

5 Human resources

HEADCOUNT

The workforce employed by the Group breaks down as follows:

	Number of employees(*)			
	Average for the year ended		At	
Permanent workforce	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Executives	793	789	790	775
Middle managers	16,042	16,010	15,878	15,984
Operational staff	121,487	123,255	119,792	121,640
Back-office staff	1,408	2,167	1,141	1,641
Total workforce on permanent contracts	**139,730**	**142,221**	**137,601**	**140,040**
Apprenticeships	43	45	37	44
TOTAL	**139,773**	**142,266**	**137,638**	**140,084**

	Average for the year ended		At	
Flexible workforce	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Temporary contracts	120	198	118	172
Fixed-term contracts	3,807	2,171	5,042	2,632
TOTAL	**3,927**	**2,369**	**5,160**	**2,804**
TOTAL PERMANENT AND FLEXIBLE WORKFORCE	**143,700**	**144,635**	**142,798**	**142,888**

(*) Expressed in full-time equivalent terms.

TRAINING

2015 saw the birth of Poste Italiane's **Corporate University**, designed to provide strategic leverage for the Business Plan, with a mission of coherent governance at Group level of all training processes and services in order to develop distinctive strategic expertise to be applied in managing the Group's businesses.
In this context, activities during the year were primarily aimed at supporting change management and implementation of new organisational models, as well as compliance with regulatory requirements, partly through a radical reorientation of management training.
A total of 3 million training hours were provided, corresponding to around 1.2 million participations and approximately 432,000 person days of training.

CLASSROOM COURSES IN HOURS	for the year ended 31 December 2015 Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	TOTAL	for the year ended 31 December 2014 Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	TOTAL
Mail, Logistics and Communications Services	594,459	32,873	1,796	**629,128**	434,614	34,790	346	**469,750**
BancoPosta	5,632	3,023	884	**9,539**	4,522	3,629	122	**8,273**
Post Office Network	1,232,711	368,385	2,661	**1,603,757**	1,254,586	331,029	5,968	**1,591,583**
Business Sales and Public Administration	1,844	8,067	858	**10,769**	1,605	8,401	188	**10,194**
Corporate	13,923	20,996	3,904	**38,823**	21,406	28,490	1,541	**51,437**
Total classroom hours	**1,848,569**	**433,344**	**10,103**	**2,292,016**	**1,716,733**	**406,339**	**8,165**	**2,131,237**
Classroom hours converted to person days	*256,746*	*60,187*	*1,403*	***318,336***	*238,435*	*56,436*	*1,134*	***296,005***

ONLINE COURSES IN HOURS	for the year ended 31 December 2015 Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	TOTAL	for the year ended 31 December 2014 Grades B-C-D-E-F	Middle managers (A1 and A2)	Executives	TOTAL
Mail, Logistics and Communications Services	143,682	7,398	715	**151,795**	151,281	4,783	25	**156,089**
BancoPosta	3,321	972	463	**4,756**	2,868	342	12	**3,222**
Post Office Network	515,294	124,294	2,520	**642,108**	719,738	155,433	260	**875,431**
Business Sales and Public Administration	706	2,983	476	**4,165**	348	6,874	15	**7,237**
Corporate	8,553	9,251	2,630	**20,434**	6,855	4,402	124	**11,381**
Total online hours	**671,556**	**144,898**	**6,804**	**823,258**	**881,090**	**171,834**	**436**	**1,053,360**
Online hours converted to person days	*93,272*	*20,125*	*945*	***114,341***	*122,374*	*23,866*	*61*	***146,300***

Classroom training accounted for 74% of the total number of hours and online training the remaining 26%. Classroom training represented 32% of total participation and online training 68%.
Management training predominated in 2015, in terms of both initiatives and the number of staff involved, resulting in 71,000 training hours, provided to approximately 2,000 staff (senior managers and middle managers responsible for organisational roles) and corresponding to more than 8,000 participations.
In particular, for top management and executives, three series of meetings dubbed "fireside chats" were held to explore the following themes: governance and leadership; the ability to analyse and make decisions in complex situations; and ideas about leadership through the examination of literary texts, focusing on future challenges and innovation.
Training courses for management placed a strong accent on change which, among other things, enabled:

- exploration of macroeconomic and geopolitical scenarios, and ethical issues;
- strengthening of the internal identity of the one Company in support of cultural change, for the purposes of strategic planning;
- the promotion of analysis and dialogue with external entities, especially managers, consultants, academics and national and international opinion makers, regarding challenges and current trends affecting various professions. Most of these events, aimed at around 90 managers attending each session, were also streamed to enable another 600 staff to take part;
- the transfer of marketing management expertise, aimed at creating the right conditions for systematic consolidation of a market and customer-centred culture.

For **younger** staff members – middle managers and/or graduates – training courses aimed to support participants in interpreting new market scenarios, drawing inspiration and impetus from them in order to adopt innovative strategies and

working solutions, and also providing useful tools for acquisition of an overall and ever broader vision of the world we live and work in.
Two important leadership training initiatives were implemented for line managers, focusing, respectively, on the new retail service model (Private Customer staff) and the new delivery model (Mail, Logistics and Communication staff). Regarding the latter, in addition to Distribution Centre managers, approximately 9,000 postmen and women were also involved, with a total of more than 139,000 training hours provided.
Several other initiatives were aimed at all the other corporate functions.
With regard to **workplace safety** training, a total of approximately 779,000 hours were provided, with more than 109,000 participations. Approximately 74% of the training was carried out in the classroom and 26% online.

FUNDING

In 2015 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 financing from Fondimpresa. Efforts continued to recover costs relating to training activities for non-managerial staff from the Fondimpresa inter-professional fund. Specifically, 287 training plans with a value of approximately €9.7 million were accounted for.

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT

Recruitment and selection activities in 2015 primarily focused on the quest for new business and finance graduates to work as customer sales specialists in the Private Customer function, with a view to strengthening frontline commercial activities and rolling out the network of financial promoters.
Staff numbers were also boosted in multi-ethnic post offices, whilst, at Corporate level, Information Technology, the Chief Financial Office and Strategic Marketing were all strengthened with the external recruitment of skilled staff.
External recruitment also regarded the specific business requirements of Group companies, especially Poste Vita.
As in previous years, internal recruitment and selection activities continued with the development of graduates in service.
In relation to procedures aimed at ensuring the appropriate distribution of staff around the country, a number of personnel were transferred on the basis of applications submitted in accordance with the union agreement regarding nationwide mobility and in keeping with requirements as they arose.

Ahead of the “2020 Plan”, an architecture was defined for the development process, including the segmentation of key roles and talent pools, in line with strategic and business requirements, and the managerial skills model was also revised.
Specific **development initiatives** were thus planned, based on three overall approaches:

- the identification and development of potential talent;
- recruitment for key management positions through systematic internal scouting processes;
- the monitoring of skills diagnosis and development processes relating to key areas of the workforce.

For managerial staff, a structured process was devised with regard to the succession process for executives and an assessment plan was drawn up for 168 managers, for some of whom a subsequent step will entail the implementation of individual development plans, supported by initiatives such as coaching, mentoring, job rotation and management training.
For middle managers, the talent assessment tool was redefined and enhanced with a subsequent coaching phase. During the year, the relevant assessment process (called “MLab” – Managerial Lab) involved 102 people.
The best performing staff were subject to an additional assessment, scouting and development process (called the Professional Guidance Programme), involving around 30 staff.
The above-mentioned processes will continue during 2016, with the involvement of additional staff belonging to all functions and from all local areas.
In order to ensure ongoing replenishment of the pool of staff to fill key roles (for example, Branch Managers, Area Delivery and Sorting Office Managers), a people review process was devised. This involves joint meetings at local and central level, with the aim of establishing recruitment pools based on a readiness to take on the target positions and follow specific career development paths.
With a view to upgrading and developing core business skills, mapping and assessment processes regarding “professional” skills (the SkillUp project) were planned, involving approximately 2,500 people during the year, including sales staff, Distribution Centre managers and ICT staff.

For young graduates, "Observatory 2015", which periodically monitors development objectives and timeframes in order to plan any short- or medium-term actions, was launched.

In May 2015, the "Your opinion makes an impression" survey, a listening initiative aimed at all Group employees, was launched. The opinion gathering and data analysis phases have been completed, and will be followed in 2016 by interventions in the identified areas for improvement.

In accordance with the usual timing, **performance appraisals** for middle managers and white-collar staff were conducted in January, with completion of the feedback phase in March. Approximately 93,000 appraisals were carried out (3,000 more than in 2014) by around 8,400 appraisers. In addition, a special session was held in September relating to the first half of 2015, focusing on the role performed by postmen and women. The project's main objective was to make further adjustments to the instruments used, with a view to including postmen and women in the appraisal process. The Delivery Centres identified were selected on the basis of statistical significance, and the project involved approximately 5,000 staff. The commercial operations and Management By Objectives (MBO) incentive schemes were finalised.

INDUSTRIAL RELATIONS

Industrial relations at Poste Italiane primarily entailed negotiations during 2015 with labour unions on the following matters.

POSTE ITALIANE SPA'S BUSINESS PLAN 2015-2019

Various meetings were held regarding the "Poste 2020" Business Plan, which was presented to the labour unions on 16 December 2014. The primary purpose of these meetings was to manage the consequences of the repercussions on staff working conditions arising from implementation of corporate restructuring processes.
Specifically regarding the Private Customer function, a meeting was held on 16 January 2015 to present the relevant aspects of the Plan, followed by further meetings on the new retail service model, evolution of the sales structure at Area Offices and Branches, the outlook for customer services and changes to Business Sales.
After these exploratory meetings, on 12 June 2015 the Parties signed an agreement that defines local redeployment and rebalancing processes relating to staff involved in the organisational changes.
The Plan's impact on the Mail, Logistics and Communication function were explained at a series of labour union meetings beginning on 5 March 2015. The agreement relating to reorganisation of the function was signed by all the labour unions on 25 September 2015. In addition, the agreement deals with the impact on employment resulting from implementation of the processes involved in adoption of a new operating model, which identifies the initiatives needed in order to boost effectiveness and efficiency and to optimise organisational strategies, partly with a view to enhancing quality and innovation. The agreement provides for sustained dialogue with the labour unions, at national and local level, which will take place in tandem with gradual implementation over the course of the Plan.

PERFORMANCE-RELATED BONUS

On 30 July 2015, agreement was reached with the labour unions regarding the performance-related bonus for Poste Italiane SpA and the following Group companies: Poste Vita SpA, Poste Assicura SpA, Postetutela SpA, Poste Tributi ScpA, Posteshop SpA, Poste Energia SpA, EGI SpA and BancoPosta Fondi SpA SGR.
The agreement will last for one year and enables measurement of the contribution of staff to achievement of the company's objectives for 2015. The agreements also postponed definition of the structure of the bonus for the following three-year period until early 2016.

AGREEMENT ON THE TRANSFER OF FORMER FIXED-TERM STAFF AND TEMPORARY EMPLOYEES TO PERMANENT CONTRACTS

On 30 July 2015, two agreements were signed with the labour unions dealing with the issue of offering permanent employment to staff formerly employed on fixed-term contracts and temporary and agency staff.
The agreements offered stable employment to people working for the Company following to a provisional court decision in their favour. These people had not benefitted from similar previous arrangements.
In line with previous years, an employee desiring to take advantage of the new arrangements keeps his or her job and returns any amounts received from the Company under the court order.

BILATERAL AGENCIES

In 2015, in addition to the above-mentioned activities of the *Ente Bilaterale per la Formazione e Riqualificazione del Personale* (the Bilateral Agency for Staff Training and Retraining), the work of the *Organismo Paritetico Nazionale* (Joint National Body) for health and safety in the workplace also continued, with efforts focused on standardised and correct application of health and safety guidelines, as well as dealing with any problems as they arise. In particular, the Company presented the new organisational structure and the reorganisation of "Employers" and the accompanying changes to the way responsibilities relating to health and safety in the workplace are assigned.

On the regulatory front, the Company provided its observations on the changes to employment law introduced as part of reform of the Jobs Act; at the same time, the process of modifying internal procedures began. Staff were informed about any provisions directly affecting their employment via communications posted on noticeboards and the Company intranet. Special attention was also paid to the issue of controls as per art. 4 of the Workers' Statute, entailing the creation of two working groups – one inter-company and the other internal – aimed at analysing the most delicate aspects.

With respect to recruitment obligations relating to disabled people, agreements were reached with provincial and metropolitan authorities in areas where there is a shortfall in the number of disabled people employed. The agreements have enabled the Group to offset the shortfalls against the number of disabled people employed in other provinces in excess of the relevant requirements.

SOCIAL POLICIES AND CORPORATE SOCIAL RESPONSIBILITY

In 2015, the well-established welfare system continued to improve the range and quality of inclusive services provided to socially vulnerable groups, and implement initiatives geared towards the needs of employees and their families.
The development of teleworking is continuing to have a positive effect on work-life balance, with an average of around 180 teleworking employees operating during the year. These are predominantly persons with specific social needs. As part of initiatives aimed at encouraging active parenthood, the "maam U" project for 500 employees on maternity leave was launched, involving the participation of 150 colleagues in the first phase of the project. At the same time, the Company's provision of crèche services was stepped up, with activation of new places for the children of employees in Milan, in addition to those already available in Rome and Bologna.
Attention continued to be paid to inclusion of disabled children via summer holiday initiatives, thematic workshops and family entertainment.
During the year, a series of agreements continued to provide discounts on a range of products and time saving services, with 190 agreements and specific temporary campaigns launched at national level, focusing on healthcare prevention programmes aimed at specific segments of the Company's workforce and summer camps in Italy and overseas for children and young people.
The "New staff allowance guidelines" were also issued, aimed at defining an integrated system of financial and practical initiatives benefitting members of staff in documented situations of need. During the year, 11 allowances were granted in accordance with the guidelines. Finally, the commitment to gender diversity initiatives was strengthened via training courses, events, testimonies and working groups on diversity management issues in collaboration with the Valore D association, of which the Company is a member.

LABOUR DISPUTES

Compared with the previous year, the number of labour disputes is slightly down by around 6%; the number of actions brought amounted to 1,379, compared with 1,460 in 2014.
With regard to disputes over flexible employment:

- in relation to fixed-term contracts, 91 new claims were filed, compared with the 178 in the previous year. The number of cases lost – calculated on the basis of outcomes notified regardless of the year in which the claims were filed – was approximately 13% (around 18% in 2014);
- in relation to temporary and agency work, 12 new claims were filed, compared with 5 in the previous year, with cases lost amounting to 46.6% at 31 December 2015 (47.3% in 2014).

The number of new disputes arising from other contractual terms and conditions amounts to 1,276 at 31 December 2015, in line with the 1,277 of 2014. This area also includes dismissals on disciplinary grounds. New challenges amounted to 183 in 2015, compared with 153 in 2014, with the number of cases lost falling from around 27% in 2014 to around 22% in 2015.

A total of 4,640 disciplinary procedures were launched during the year, based on reports from the Security & Safety and/or Internal Auditing functions, namely on the basis of specific reports received from the competent local departments.

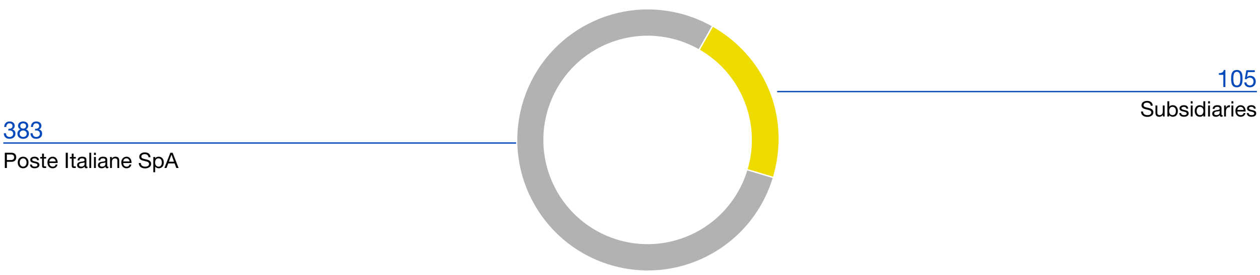
At the end of this process, 241 staff were dismissed and 4,052 received penalties without dismissal; 347 procedures were concluded without consequence.
A fall in the total number was registered compared with 2014, when the number of staff receiving a penalty without dismissal amounted to 5,358 (dismissals numbered 237, and therefore remained substantially the same).
The principal grounds for dismissal included: “unjustified absence” (around 24%); “irregularities regarding securities trading” (around 18%); and “criminal convictions/proceedings” (around 17%). The main reasons for the imposition of penalties without dismissal were: “misbehaviour” (around 40%); “absence in the event of a health inspection and failure to comply with sickness regulations” (around 28%); and “failure to fulfil duties and obligations” (around 19%).

Finally, the department that deals with Labour Disputes handled specific pre-dispute processes regarding matters other than fixed-term employment contracts, with the aim of reducing the total number of disputes. This was carried out via careful analysis of approximately 800 challenges and/or claims arising during the year and assessment of the actions to be taken.

6 Capital expenditure and financial investments

CAPITAL EXPENDITURE

for the year ended 31 December (€m)	2015	2014	2013
Intangible assets	251	218	243
of which Poste Italiane SpA	*176*	*152*	*191*
Property, plant and equipment	237	218	261
of which Poste Italiane SpA	*207*	*180*	*228*
Total capital expenditure	**488**	**436**	**504**
of which Poste Italiane SpA	***383***	***332***	***419***
Property investments	–	1	1
of which Poste Italiane SpA	–	*1*	–
Total Poste Italiane Group capital expenditure and Property investments	**488**	**437**	**505**



The Poste Italiane Group's capital expenditure during the year amounts to €488 million, mainly relating to **Information Technology**. Indeed, IT continues to be an important enabling factor in pursuing the goals set out in the Group's Business Plan. Therefore, in continuation of the strategy of focusing on the Company's product and service offering and boosting the industrialisation of processes, infrastructure and business support, an initiative was launched in 2015 that led to the identification of 38 project platforms, rationalising and grouping together initiatives into categories. In addition to supporting the Business Plan, this process entailed reshaping the strategic roadmap in order to transform Poste Italiane's IT, encompassing initiatives launched in previous years and incorporating them into a single context. In line with this approach, work on consolidating and developing hardware, storage and backup systems continued, whilst other initiatives were aimed at rationalising the Group's Data Centre infrastructure. Over the years, these activities have led to the original 35 data rooms distributed nationwide being reduced to the current 6 Data Centres[15], which will be joined by the new Data Centre in Viale Europa in Rome. In addition, a high-level design project was also launched during the year to further optimise the Data Centres by restructuring and redesigning all the server farms, with a view to standardising services. This project will be developed over the coming years. The Group also invested in storage and disaster recovery infrastructure, linked to the upgrade of equipment and normal expansion.

A special highlight was the launch of the Digital Transformation programme which, over the course of the Business Plan, will involve Poste Italiane in an overall redesign of its customers' user experience (retail and business) across all the key digital touch points (for example, websites, ecosystem app, home banking, etc.). In tandem with the drawing up of an overall

(15) The 6 Data Centres in operation are: Roma Arte Antica, Roma Congressi, Pomezia, Bari, Rozzano and Turin.

transformation strategy, the first tactical steps were taken, laying the foundations for the subsequent development path (for example, website restyling, the simplification of browsing apps, etc.).
Work on ensuring the security of the IT infrastructure that supports the provision of counter services (the Service Delivery Platform) continued, involving an upgrade of hardware, software and disaster recovery components. An advanced platform for end-to-end monitoring of Poste Italiane's services was also launched.
On the customer data front, assessment activities were continued, with the aim of rationalising fragmented data into systems and bringing them together with the creation of a single Customer Database, closely linked to the Customer Relationship Management (CRM) and Enterprise Data Warehouse (EDWH) systems, which had already been optimised and enhanced during the year.
The overall strategy for the re-engineering of support systems for postal and logistics processes was also revisited in 2015. Substantial investment will be made in this area over the course of the Business Plan, with the aim of innovating, strengthening and consolidating application and infrastructure architecture as a whole.
Finally, a sufficient level of investment in application systems was maintained with a view to supporting the services provided by Poste Italiane. Activities relating to computerisation and the upgrade of IT equipment continued with the upgrade of post office, administrative office and delivery facilities, which substantially reduced the amount of obsolete equipment in operation. Approximately 900 free Wi-Fi points were also activated in an equal number of post offices. The rollout of this upgrade and installation process will continue during 2016, in confirmation of the key role Poste Italiane wishes to play in Italy's digital transformation.
On the IT security front, Poste Italiane paid special attention to data security, with the launch of an information security risk assessment, which was followed by preparation of a Permanent Security Plan to be implemented in two phases, the first in 2015 and the second to be completed by the end of 2017, in order to further strengthen this important area. The security of work stations was also boosted and the procedure for managing ICT incidents in accordance with current supervisory requirements was updated.
Finally, as part of ongoing efforts on the cybersecurity front, special attention was paid to services provided to customers via digital channels, with the oversight and initiatives implemented by CERT, the internationally accredited Computer Emergency Response Team, which is a focal point for joint coordination of incident prevention and response activities.
In terms of Group companies, the investment activities of **PosteMobile SpA** primarily related to the development of landline services, with the aim of supporting the evolution of Group business processes, and activation of the "Poste Wi-Fi" service inside post offices.

The main initiatives carried out during the year relating to the mobile network were aimed at expanding business customer services, development of the BancoPosta and PosteMobile app and evolution of the Long Term Evolution (LTE) project, in order to provide customers with new generation mobile broadband access.
Initiatives in the **Postal Logistics** segment continued via three courses of action: implementation of the postal network, involving activities designed to guarantee the operational continuity of facilities and delivery centres by supplying equipment, partly to support the increase in parcel volumes delivered by postmen and women; optimisation of the postal network, involving improvement of the efficiency of processes via the computerisation and automation of the internal processes carried out by delivery staff and sorting centres; and evolution of the postal network, entailing the launch of a project to redesign the logistics network with the introduction of new sorting and delivery models, in line with the new regulatory framework.
Activities regarding application platforms continued, aimed at developing the integrated Group-level system for tracking items of mail.

Given the size of the Company's property assets, comprising almost 14,000 workplaces, the **modernisation and renovation of buildings** primarily regarded planned renovation works (including furniture and fittings) and non-routine maintenance work, making improvements to meet workplace needs and those related to the services provided, as well as initiatives aimed at improving staff health and safety. Moreover, it was necessary to implement around 3,000 non-routine maintenance initiatives (heating and air-conditioning units, electrical and fire prevention equipment, etc.) during the year, as well as initiatives to restore normal service at post offices where criminal acts had taken place.

FINANCIAL INVESTMENTS

Investments in associates in 2015 total €210.5 million and relate to the acquisition of a 10.32% interest in Anima Holding SpA.

7 Risk management

Poste Italiane is progressively consolidating a Group Risk Management model ("GRM") to form part of its Internal Control and Risk Management System (also "SCIGR"), in line with the requirements of the Corporate Governance Code for listed companies and the relevant best practices. The GRM model aims to provide an organic, overall view of the Group's principal risk exposures, greater consistency across the methods and tools used to support risk management and reinforced awareness, at all levels, of the fact that the adequate assessment and management of risks can play a part in achieving strategic objectives.
The GRM model involves an integrated risk management process, implemented according to a continuous and dynamic approach. It exploits the existing risk management systems applicable to each segment (financial, insurance, postal and logistics) and business process, bringing them into line with the specific methods and tools envisaged by the model, and consolidating the risk management culture at all levels throughout the Group, so as to help in developing risk management behaviours and expertise throughout the Group's operations.
Two assessment cycles were conducted in 2015, whilst actions designed to mitigate or manage major risks were identified, in keeping with developments in the internal and external environments and the Group's strategy.
Implementation of the monitoring process for the principal risks began, as did use of the related risk treatment plans, utilising appropriate indicators in order to analyse performance and the state of implementation of the corrective actions put in place.
The GRM model has adopted a Risk Model to support the process of identifying and describing risks. The Model allows the identified risks to be classified in uniform categories applied throughout the Group, in line with the relevant best practices and, where applicable, specific regulatory requirements. The Risk Model provides a continuous point of reference for the management, control and integrated reporting of risks. As a result, it is periodically revised to reflect the Group's operations and in response to the results of assessment activities. The Risk Model has established five categories of risk: strategic, regulatory and compliance, insurance, operational and financial, as described below.

STRATEGIC RISK

The risk of a deterioration in profit or capital resulting from changes in the operating environment, poor business decisions, the substandard execution of decisions or the failure to adequately respond to changes in the competitive environment.

REGULATORY AND COMPLIANCE RISK

The current or future risk linked to the failure to comply with statutory or regulatory requirements imposed by legislation, industry regulations or internal rules.

INSURANCE RISK

This category of risk regards technical risks resulting from insurance operations (non-life technical, health technical and life technical) and is dealt with in Poste Italiane's financial statements for the year ended 31 December 2015 (5. Risk management) which, together with the Report on Operations, form a further section of the Annual Report.

OPERATIONAL RISK

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes the risk of workplace accidents or injuries to employees, the risk of criminal acts or attacks resulting in damage to operating assets or activities, fraud, including online fraud (e.g., phishing), and unauthorised transactions, including errors resulting from the failure of IT or telecommunications systems.
Certain types of operational risk are described below.

Risk of attacks/external event risk

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 external criminal attacks. The need to transport cash exposes Poste Italiane to the risk of criminal acts (theft and/or robbery) which, if they were to occur, could have a negative impact on the Company's image, its operations and the Group's future prospects, operating results and financial position. Criminal attacks are on the decline, thanks to the ongoing implementation, throughout the Group's network, of additional measures designed to prevent and combat such events, which have resulted in a greater degree of security and protection from external threats.
Great attention is also paid to combating the risks deriving from potential fraud inside and outside the Company, including online identity theft, phishing, malware, IP addresses identified as malicious and other data.

Risks connected to health and safety regulations

Poste Italiane revised its model for managing workplace health and safety in 2015, identifying 5 new operating units: 4 that coincide with the business functions (Mail, Logistics and Communication, BancoPosta, Private Customer and Business Sales and Public Administration), and 1 that includes the remaining staff functions. There are evident similarities in the operating processes within each function, which can thus be dealt with as a uniform whole by the Security and Safety function from the point of view of safety at work. This latter function is responsible for guidance, coordination and controls in relation to workplace health and safety and the environment.

Information security

In recent years, Poste Italiane has designed an integrated Information Security Governance model for the Group. The model sets out the related roles, responsibilities and activities in order to provide strategic guidance for the monitoring of the Group's data security infrastructure. Security was, in fact, given significant attention in 2015, through the conduct of specific Information Security risk analysis and assessments, resulting in the definition of the security requirements needed to ensure an adequate degree of protection for the data handled by the Group's information systems. These activities regarded the development of solutions to protect technology infrastructure, the implementation of solutions designed to protect the Group's data network, an increase in the operational efficiency and level of security of the processes and systems used to control users' access to the information system and the implementation of security measures designed to protect applications.
Poste Italiane is the first Italian organisation to have a fully operational and internationally accredited CERT (Computer Emergency Response Team), bringing together and coordinating the Group's prevention and emergency response activities.

FINANCIAL RISK

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.

These types of risk are dealt with in Poste Italiane's financial statements for the year ended 31 December 2015 (5. Risk management).

8 Events after 31 December 2015

Events after the end of the reporting period are described in other sections of the Annual Report for 2015, and there are no other significant events occurring after 31 December 2015.

9 Outlook

The actions taken in 2015, along the lines set out in the Business Plan, will continue into 2016, based on the positive results achieved during the year under review.
In the Insurance and Financial Services segment, the Group's aims to strengthen its position in the market for capital guarantee funds, where further growth in deposits is expected. It will also continue with its strategy of offering an innovative and effective response to growing demand for supplementary pension products and personal protection insurance, by combining investment and protection products in order to offer simple, but highly professional, solutions. This will enable the Group to consolidate its position in the life sector and improve its position in the welfare market.
In terms of traditional mail products, the Group will continue with the restructuring process embarked on in 2015, taking advantage, on the one hand, of the new regulatory framework and, on the other, the efficiency improvements achieved thanks to implementation of the new delivery model, in agreement with the unions.
Finally, the digital channel will provide another source of growth, offering easy-to-use and effective contact channels alongside the traditional physical distribution channel represented by post offices, for which the process of developing an increasingly complete offering of simple and effective products, capable of meeting the changing needs of Poste Italiane's customers, will continue.
The current transformation process will continue in 2016 in order to permit, again this year, payment of a dividend equal to at least 80% of consolidated net profit.

10 Other information

PRINCIPAL PROCEEDINGS AND RELATIONS WITH THE AUTHORITIES

AGCM (THE ANTITRUST AUTHORITY)

In 2012, the Authority launched an investigation (A/441) regarding **Poste Italiane SpA** to establish whether the Company had abused its dominant position in the deregulated postal services market by not charging VAT, thus benefitting from an unjustified competitive advantage. On 23 April 2013, the Authority concluded the procedure, notifying the Company that Italian VAT regulations are not in keeping with those of the EU, and cannot apply. In the ruling, which does not impose any fines, the Authority did, however, confirm that Poste Italiane SpA had abused its dominant position by applying discounts that its competitors could not match. On 21 June 2013, Poste Italiane lodged an appeal against the ruling before the Lazio Regional Administrative Court, which was rejected. On 25 March 2014, the Company appealed to the Council of State, requesting that the Regional Administrative Court's sentence and the Authority's ruling be overturned.
On 10 September 2015, the Company finally notified the Authority and the other parties in the proceedings of its decision to waive its appeal (R.G. no. 2679/2014) submitted to the Council of State with a request for the expenses to be apportioned among the parties. With ruling 1160/15, filed on 13 October 2015, the Council of State declared the appeal closed.
Moreover, on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws, based on the approach adopted by the Antitrust Authority. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

On 13 November 2013, the Authority notified Poste Italiane SpA of an investigation (**PS/7704**) of alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code). This relates to Poste Italiane not responding promptly to requests from customers to close their current accounts. Poste Italiane responded to the Authority's requests for information, and gave the commitments provided for in art. 27, paragraph 7 of the Consumer Code, with the aim of avoiding a fine. The commitments were then further added to and submitted to the Authority, which responded positively. Having extended the proceedings until 10 August 2014 in order to obtain a prior opinion from the Bank of Italy on the commitments put forward by Poste Italiane, on 1 August 2014 the Authority closed the investigation without imposing a fine. On 27 May 2015 the Authority notified its acknowledgement of the measures adopted by Poste Italiane to implement the commitments undertaken.

On 1 August 2014, the Authority launched an investigation (**PS/8998**) of the alleged violation of articles 20, 21 and 22 of the Consumer Code (misleading and comparative advertising) in connection with the "Specialcash Postepay" personal loan. A defence brief was prepared, including a response to the requests for information made by the Authority at the time it began the investigation. On 22 September 2014, Poste Italiane submitted commitments designed to resolve the alleged violations indicated by the Authority and bring about the closure of the investigation without imposition of a fine. On 4 November 2014, the Authority sent a request for further information, to which a response was made on 21 November 2014. At the same time, the Company submitted revised commitments.

In a ruling notified on 27 March 2015, the Authority finally closed the investigation without imposing a fine, accepting the commitments submitted by Poste Italiane.

On 9 March 2015, the Authority launched an investigation (**PS/10009**) into alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. Specifically, the Authority claimed that, in advertising campaigns in February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer the advertised returns were associated with. On 3 April 2015, replies to the requests for information received at the start of investigation were sent to the Authority and, on 23 April 2015, the first set of commitments was submitted, followed by a second set on 12 May 2015. After rejecting the Company's set of commitments, on 3 July 2015 the AGCM notified its intention to extend the investigation to include Cassa Depositi e Prestiti SpA, and asked the parties to provide information and documentation regarding relations between the two parties during preparation of the advertising materials. On 26 October 2015, Poste Italiane filed its final deposition.
On 21 December 2015, AGCM notified Poste Italiane of its final ruling in which, pursuant to articles 20, 21 and 22 of the Consumer Code, it deemed the Company's conduct unfair and imposed a fine of €540,000, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court (RG 2288/16) on 24 February 2016.

On 4 June 2015, the AGCM launched an investigation (SP/157) pursuant to art.8, paragraph 2 *quater* of Law 287/90, aimed at ascertaining whether actions taken by Poste Italiane were designed to prevent H3G SpA from accessing the post office network. In July 2015, the Authority accepted requests to participate in the investigation from Fastweb SpA and Vodafone Omnitel BV. At the same time the procedure was launched, PosteMobile was subject to an inspection by the Authority at its offices. The company, which was inspected as a third party in the proceedings, submitted a request to participate in order to demonstrate its lack of responsibility for any alleged violation. The hearing was held on 18 September 2015, and on 29 October 2015 the Authority released the results of its investigation. With the ruling adopted at a meeting held on 16 December 2015, the Authority deemed that Poste Italiane – at variance with the provisions of art. 8, paragraph 2 *quater* of Law 287/90 – failed, when requested, to offer a competitor of its subsidiary, PosteMobile, equal access to goods and services that are exclusively available from Poste Italiane, as they form part of the activities carried out within the scope of the Universal Postal Service. In the same ruling, the Authority also ruled that Poste Italiane should desist from such conduct in the future. The Authority did not impose a fine. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court (RG 2325/16) on 25 February 2016. At the hearing convened to hear the application for interim relief, a hearing on the merits was scheduled for 9 March 2016. PosteMobile also lodged an appeal against the final ruling before the Lazio Regional Administrative Court (RG 2381/16) on 19 February 2016.
Moreover, on 23 December 2015, H3G also submitted a writ of summons to the Court of Rome, citing Poste Italiane and PosteMobile and requesting that the latter be ordered to pay compensation for damages incurred arising from the violations referred to in the above ruling, as well as court fees. The preliminary hearing has been scheduled for 7 April 2016.
Prior to this hearing, Poste Italiane, which deems its actions to have been in full compliance with current regulations and has already appointed a counsel for the defence, will file documents at the Registry to be submitted to the judge and prepare an appropriate response, based on a sound defence of its conduct. However, given the complex and novel nature of the matters in hand and the uncertain nature of any judgment, it is difficult to make a reliable forecast on the outcome of the dispute.

The Antitrust Authority petitioned the Regional Administrative Court in October 2013 with respect to the Ministry of Transport and Infrastructure and Poste Italiane (as agent of the consortium **PosteMotori**, having been awarded a contract by the Ministry of Transport and Infrastructure for the provision of management and remittance services for payments, by road users, for the services provided by the Department of Transport) to declare the tender null and void and, pending a final ruling, to suspend enforceability of the tender, the tender terms and conditions, instructions to bidders, the executive order announcing the tender, all clarifications and all acts in those connections. The grounds cited for the petition were the fact that art. 11 of the tender terms and conditions restricted competition, in that points for the technical bid were awarded on the basis of the "widespread nature, availability and number of physical payment points", rendering the bid evaluation process unfair in breach of art. 2 of Legislative Decree 163/06, which has established the principle of free and non-discriminatory competition in tenders for the provision and performance of services under concession. With sentence 7546/15, filed on 27 May 2015, the Lazio Regional Administrative Court rejected this petition. On 16 July 2015, the Authority lodged an appeal before the Council of State requesting amendment or cancellation of this sentence and, on 25 September 2015, PosteMotori and the Ministry of Infrastructure and Transport submitted a cross appeal. The hearing on the merits was held on 17 November 2015. On 28 January 2016, the Council of State handed down a final ruling on the appeal, accepting the cross appeals and declaring the main appeal barred to proceed further, thereby confirming the contested judgment.

ITALIAN NATIONAL ANTI-CORRUPTION AUTHORITY (ANAC)

On 28 September 2015, the Italian National Anti-Corruption Authority (ANAC) notified Poste Italiane that it was launching an investigation to verify the administrative procedures carried out regarding upgrade and restyling work at the Sesto Fiorentino sorting centre (FI). The Authority asked Poste Italiane to submit an explanatory report on the contract, together with the related documentation. On 17 November 2015, the person responsible for the procedure sent the documented report to ANAC and asked to testify before the regulator.

On 9 November 2015, ANAC sent the person responsible for the procedure a "request for information prior to the launch of a procedure pursuant to the ANAC Supervisory and Inspection Regulations of 9 December 2014 (procedures launched in implementation of supervisory powers in accordance with art. 6 of the Public Contracts Code and current legal provisions)" regarding all contracts awarded in the IT sector after January 2013. A reply was submitted by the set deadline.

EUROPEAN COMMISSION

The Court of the European Union's sentence of 13 September 2013 upheld Poste Italiane SpA's appeal against the European Commission's decision of 16 July 2008 regarding state aid (**Decision C42/2006**), ordering the latter to pay the related costs. In compliance with the Decision, and as requested by the Ministry of the Economy and Finance, in November 2008 the Company returned the related amounts (€443 million, plus interest of €41 million). Under the 2015 Stability Law, in order to implement the Court of the European Union's sentence of 13 September 2013, €535 million has been set aside for payment to Poste Italiane for 2014. These amounts were collected from the Central Treasury on 13 May 2015.
The European Commission subsequently reopened the enquiry, appointing an external expert to check that the levels of interest paid to the Company from 1 January 2005 to 31 December 2007 on deposits held at the Ministry of the Economy and Finance (as per art. 1, paragraph 31, of Law 266 of 23 December 2005 "2006 Budget Law") were in line with the market. To date, the expert has submitted to the Commission a preliminary revised version of the assessment originally carried out by the Commission. Poste Italiane intends to actively collaborate with the national authorities to demonstrate the fairness of the returns it received during the relevant period.

On 15 October 2013, the European Commission notified initiation of a preliminary investigation, in accordance with EU regulations concerning state aid, regarding Alitalia Compagnia Aerea Italiana SpA ("Alitalia"), and submitted a series of requests for information on these measures to the Italian authorities. Subsequently, additional requests were submitted, to which the Italian authorities replied, partly based on information provided by Poste Italiane.
On 6 February 2015, the European Commission notified that it had completed its preliminary investigation without finding evidence of state aid as regards Poste Italiane's investment in Alitalia; Poste Italiane has invested in the airline under the same terms and conditions that would apply to two private operators (a so-called *pari passu* transaction).

BANK OF ITALY

From September to December 2015, with reference to the activities of BancoPosta and pursuant to art. 54, of Legislative Decree 385 of 1993, the Bank of Italy carried out an inspection exclusively aimed at assessing compliance with obligations relating to the transparency of transactions and the prevention of money laundering. The results of the investigation were "partly favourable", with some areas for improvement in relation to organisational and procedural aspects indicated, primarily where interventions have already been completed or launched by the competent corporate functions. The Company's observations and an overall plan for corrective measures will be notified to the regulator.

Moreover, during 2015, four violations of anti-money laundering legislation were notified to Poste Italiane SpA. The Company sent a related defence brief to the Ministry of the Economy and Finance regarding each of the notified cases. Overall, at 31 September 2015, there are 26 pending proceedings at the Ministry of the Economy and Finance, including 24 failures to report suspect transactions and two in relation to violations of the rules governing limits on the use of cash and bearer instruments.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of the Consolidated Law on Finance. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. Poste Italiane is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures as part of a specific project implemented by BancoPosta.
A detailed note was sent to CONSOB in June 2015, with a view to illustrating the expected development of the investment services segment and the state of progress of the plan. On completion of this consultation phase, on 7 August 2015 the CONSOB sent a note containing a number of observations, which will be duly taken into account in the planning of future actions, as well as requests for additional clarification of certain aspects. Replies were sent to the Authority on 30 September 2015. The Company will periodically inform the relevant offices on the state of progress of the various activities.
As part of this inspection, the CONSOB also launched a penalty procedure that was completed on 26 August 2015, with notification of the Company, as jointly and severally liable party, of the ruling that has fined certain representatives of the Company a total amount of €60 thousand for violation of art. 21 of the Consolidated Law on Finance.

IVASS – *ISTITUTO PER LA VIGILANZA SULLE ASSICURAZIONI* (THE INSURANCE REGULATOR)

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

DATA PROTECTION AUTHORITY

On 29 May 2015, in response to certain press reports, the Data Protection Authority asked Poste Italiane to provide information regarding alleged processing of the personal data of persons operating at companies (in particular IZI SpA) appointed to monitor postal service quality standards. According to the Authority, the data was processed without providing the parties concerned with the relevant privacy notices and without obtaining their consent to use of the data.
Poste Italiane replied to the Authority before the specified deadline, noting that it had launched a special internal audit in order to be able to provide comprehensive replies to the requests made, as well as updates on subsequent outcomes and the final audit.
From the findings of this audit, it appears that certain members of staff interfered with the monitoring systems in violation of the Company's policy. It is currently impossible to ascertain whether this behaviour may have influenced determination of the service quality indicators recorded, and the possibility that the impact of such events may give rise to legal proceedings and fines cannot be ruled out. Poste Italiane has requested its legal experts to go ahead with all appropriate measures. In this context the Company submitted a statement to the judiciary and appeared as the injured party in the related criminal proceedings. It also duly submitted information to AGCOM.
The Company has launched disciplinary proceedings regarding the staff involved in the activities as revealed by the findings of a specific preliminary investigation. A technical committee was set up to manage these proceedings in order to verify the findings regarding the contested audits, taking into account the defence arguments put forward by the parties concerned and any other evidence that may emerge.
So far 246 reprimands have been notified, entailing 15 dismissals and 156 disciplinary measures without dismissal relating to managerial and non-managerial staff.
All these measures also refer to the Company's right to take action to protect its rights and interests with respect to findings that may yet emerge and damages the Company may suffer for any reason or cause whatsoever.
In the first quarter of 2015, a long-term transformation programme was launched aimed at increasing the level of automation of mail and parcel logistics procedures, in all processing phases, from collection to delivery, partly through the development of IT support systems and platforms. This programme will enable a substantial strengthening of performance monitoring.
From 29 September to 1 October 2015, the *Nucleo Polizia Tributaria Roma* (Tax Police), in implementation of Data Protection Authority order 21876/97157, as per the Data Protection Code, inspected **PosteMobile's** premises.

After the inspection, on 3 November 2015, the Tax Police notified PosteMobile of one alleged violation relating to the retention of data for the purposes of identifying and combatting crimes (documentation of traffic data, namely internet access) beyond the maximum periods laid down in art. 132 of the Data Protection Code, with the imposition of a fine (ranging from a minimum of €10,000 to a maximum of €50,000).
Deeming the allegation to be groundless, on 2 December 2015, pursuant to art. 18 of Law 689 of 24 November 1981, PosteMobile submitted its defensive brief to the Authority asserting that data retention for the purposes of identifying and combatting crimes was extended beyond the maximum periods provided for by the Data Protection Code in good faith and in line with the interpretative and applicatory practices of the Anti-terrorism Decree 43 of 17 April 2015, which all telecommunications operators comply with. The subsequent phases of the proceedings at the Data Protection Authority are awaited.

Regarding legal, tax and social security proceedings, reference should be made to Poste Italiane's financial statements for the year ended 31 December 2015 (6. Proceedings pending and relations with the authorities).

THE ENVIRONMENT

Poste Italiane's commitment to environmental protection is a vital element of its growth, and therefore all business activities carried out entail implementation of environmental sustainability actions and policies inspired by principles of saving, recovery and recycling, innovation and security.
The cornerstones of the Group's green strategy are: inclusive development, digitisation of products and services, and environmental protection.
In this regard, participation in international greenhouse gas reduction programmes, such as the IPC's Environmental Measurement and Monitoring System (EMMS) and Posteurop's Greenhouse Gas Reduction Programme, continued during the year.
As over two-thirds of Poste Italiane's polluting emissions are attributable to the energy used to supply buildings, once again in 2015 many energy efficiency initiatives were concentrated on property assets. The plan to optimise energy use by encouraging staff to adopt a virtuous approach to energy continued. This has also involved training courses on energy saving, and the introduction of technical initiatives designed to reduce waste, including the installation of timers, the monitoring of consumption on Saturday and Sunday, measurement at the sites where energy consumption is highest and the correct setting of temperatures and time-settings for cooling and heating systems. Advanced energy consumption monitoring and control systems are operating in 10,000 post offices, and human presence sensors have been installed in more than 18,000 post offices, with estimated savings amounting to more than 3 GWh of electricity in 2015.
Attention continues to be paid to renewable energy. In 2015, thanks to more than 1,500 kW of power from photovoltaic plants installed on buildings, almost 1,600 MWh of electricity was derived from renewables. In addition, 95% of the electricity purchased from the grid comes from renewable sources.
Fleet management is also a key component of the Group's green strategy, which over the years has seen deployment of a growing number of low environmental impact vehicles. In this regard, 2,750 alternative fuel vehicles were used in 2015, including 1,000 electric-powered and 1,750 natural gas-powered vehicles. Preparations also began for renewal of the fleet, with the aim of introducing vehicles capable of cutting pollution, consumption and CO_2 emissions with respect to those previously in use, including around 3,000 alternative fuel vehicles.
The Mobility Management project continued. This aims to develop commuter programmes based on environmental and economic sustainability, thereby benefitting workers, the community and the Company. To this end, commuter programmes were prepared for 37 sites with over 300 staff; special agreements were negotiated on behalf of the Group's employees, enabling them to purchase annual season tickets for local public transport in Rome and Bologna at reduced rates and in instalments; and a car-sharing service was implemented. An eco-driving training programme, providing a series of recommendations regarding vehicles and driving techniques, with the aim of cutting CO_2 emissions, was also continued.
Finally, activities relating to the dematerialisation of documents and digitisation of products and services continued, as well as those aimed at reducing and sustainably managing waste. Regarding the latter, work continued on the creation of an integrated waste management system based on the recovery of raw materials used and less disposal of production waste, by assigning waste products an actual economic and commercial value. It was decided to recover and recycle special non-hazardous waste, such as paper, cardboard, plastic, wood and metal, and limit disposal to hazardous waste.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

Internal related parties include subsidiaries and associates directly or indirectly managed by Poste Italiane SpA. External related parties include the majority shareholder, the Ministry of the Economy and Finance, entities controlled, also jointly, by the Ministry of the Economy and Finance, and companies associated with them. The Group's key management personnel are also related parties. The state and public bodies, other than the Ministry of the Economy and Finance, are not deemed to be related parties. Transactions involving financial assets and liabilities represented by instruments traded on organised markets are not deemed to be related party transactions.
Details of all the Poste Italiane Group's and the Parent Company's related party transactions are provided in Poste Italiane's financial statements for the year ended 31 December 2015 (3.5 and 4.4 – Related party transactions).

STATEMENT OF RECONCILIATION OF PROFIT AND EQUITY

The statement of reconciliation of the Parent Company's profit/(loss) for the period and equity with the consolidated amounts at 31 December 2015, compared with the statement at 31 December 2014, is included in Poste Italiane's financial statements for the year ended 31 December 2015 (3.3 Notes to the financial statements).

11 Financial review for Poste Italiane SpA

OPERATING RESULTS OF POSTE ITALIANE SPA

RECLASSIFIED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December (€m)	2015	2014	Increase/(decrease)	
Revenue from sales and services	8,205	8,471	(266)	-3.1%
Other income from financial activities	433	389	44	11.3%
Other operating income	399	306	93	30.4%
Total revenue	**9,037**	**9,166**	**(129)**	**-1.4%**
Cost of goods and services	1,819	1,921	(102)	-5.3%
Other expenses from financial activities	3	6	(3)	-50.0%
Personnel expenses	5,895	5,972	(77)	-1.3%
Capitalised costs and expenses	(5)	(6)	1	-16.7%
Other operating costs	226	314	(88)	-28.0%
Total costs	**7,938**	**8,207**	**(269)**	**-3.3%**
EBITDA	**1,099**	**959**	**140**	**14.6%**
Depreciation, amortisation and impairments	485	578	(93)	-16.1%
Operating profit/(loss)	**614**	**381**	**233**	**61.2%**
Finance income/(costs)	(18)	(108)	90	-83.3%
Profit/(Loss) before tax	**596**	**273**	**323**	**n/s**
Income tax expense	145	216	(71)	-32.9%
Profit for the year	**451**	**57**	**394**	**n/s**

n/s: not significant.

The Parent Company, Poste Italiane SpA, reports profit for the year of €451 million, an improvement of €394 million compared with 2014, when profit for the year was €57 million.
Revenue from sales and services amounts to €8,205 million, down 3.1% compared with the figure for 2014 (revenue of €8,471 million in the previous year). This reflects the performances of postal and business services, resulting from a decline in demand for traditional mail services, and of financial services, due to lower average returns on the investment of customer deposits, which led to a decline in revenue at BancoPosta.
Other income from financial activities is up from €389 million in 2014 to €433 million in 2015, essentially reflecting gains on the sale of BancoPosta RFC's available-for-sale financial assets.
Other operating income is up from €306 million in 2014 to €399 million in 2015 and includes €331 million in dividends received from subsidiaries.

Total costs are down 3.3% from €8,207 million in 2014 to €7,938 million in 2015. A closer look shows a decrease of €102 million in the cost of goods and services (down 5.3%), primarily reflecting a reduction in interest expense (down €70 million on 2014) paid to BancoPosta's private customers.

Personnel expenses break down as follows.

for the year ended 31 December (€m)	**2015**	**2014**	**Increase/(decrease)**	
Salaries, social security contributions and sundry expenses(*)	5,526	5,571	(45)	-0.8%
Redundancy payments	76	151	(75)	-49.7%
Net provisions (uses) for disputes	(12)	(6)	(6)	n/s
Provisions for restructuring charges	316	256	60	23.4%
Total	**5,906**	**5,972**	**(66)**	**-1.1%**
Income from fixed-term and temporary contract agreements	(11)	–	(11)	n/s
Total personnel expenses	**5,895**	**5,972**	**(77)**	**-1.3%**

n/s: not significant.

(*) This includes the following items described in note C6 to the financial statements: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

Ordinary personnel expenses, linked to salaries, contributions and sundry expenses, are down 0.8% (a reduction of €45 million) on 2014. In spite of additional pay due to the fact that a public holiday fell on a Sunday, the reduction reflects a decrease in the average workforce employed during the year (more than 900 fewer Full-Time Equivalent staff employed on average in 2015).

The total figure also reflects provisions for restructuring charges of €316 million (€256 million in 2014), made to cover the estimated costs to be incurred by the Parent Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2017.

Personnel expenses also benefit from net releases of €12 million from provisions for disputes (net releases of €6 million in 2014). This reflects updated estimates of the liabilities and related legal expenses, based on both the overall level of claims actually paid and application of the so-called *Collegato lavoro* legislation, which has introduced a cap on compensation payable on current and future claims brought by workers on fixed-term contracts, who have been re-employed on permanent contracts by court order.

Finally, the change in personnel expenses also reflects income of €11 million recognised by Poste Italiane SpA in 2015, following the agreements concluded with the labour unions in July, regarding the re-employment by court order of staff previously employed on fixed-term contracts.

Again with regard to fixed-term contracts, the Company employed 7,277 people on fixed-term contracts in 2015 (8,052 in 2013), equal to 7,144 FTEs (7,743 FTEs in 2014). As a result of specific measures establishing quotas limiting the use of such contracts, the following should be noted: the permanent workforce at 1 January 2015[16] was 141,459 (143,422 at 1 January 2014), equal to 135,797 FTEs (137,983 at 1 January 2014); the number of people on fixed-term contracts as defined by art. 2, paragraph 1-*bis* of Legislative Decree 368/01[17] – the so-called "*causale finanziaria*" – amounted to 2, equal to 2 FTEs; the number of people on fixed-term contracts as defined by art. 1, paragraph 1 of Legislative Decree 368/01, as amended by Law Decree 34/14[18] – the so-called "Jobs Act" – amounted to 9,180, equal to 8,942 FTEs[19].

Other operating costs are down from the €314 million of 2014 to €226 million in 2015. This reflects, among other things, the release of provisions made in previous years, linked to the procedures and timing involved in the collection of amounts receivable from the Ministry of the Economy and Finance.

The figure for depreciation, amortisation and impairments is down 16.1% from €578 million in 2014 to €485 million in 2015. This includes €12 million in net reversals of impairments to reflect updated estimates of the value of industrial buildings

(16) The workforce at 1 January of each year is identical to the workforce at 31 December of the previous year.

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

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

(19) The number of fixed-term contracts – expressed in terms of both headcount and FTEs – includes, for 2015, both contracts and renewals during the year in question (7,275, equal to 7,142 FTEs) and contracts and renewals in 2014 and still in force at 1 January 2015 (1,905, equal to 1,800 FTEs).

owned by the Company (buildings used in operations) and commercial buildings leased by the Company (leasehold improvements). The Company regularly assesses the potential impact on the value in use of such properties, should the future use of such assets in operations be reduced or halted.
Net finance costs total €18 million, compared with net financial costs of €108 million in 2014. The figure for the previous year reflected, among other things, the impairment loss recognised on the investment in Alitalia-CAI SpA (€75 million).

Income tax expense is down from the €216 million of 2014 to €145 million for 2015. The total effective tax rate for 2015 is 24.35%. Compared with the figure for 2014, when the effective tax rate was 79.16%, the charge for the year under review benefits from the positive impact of the deductibility of personnel expenses for staff employed on permanent contracts from the IRAP tax base, introduced by the 2015 Stability Law. This has significantly reduced the impact of this tax compared with the overall tax charge, but has also resulted in a reduction in the amount deductible from the IRES tax base, resulting in an increase in the latter charge.
In terms of the composition of the tax rate, the effective rates for IRAP and IRES in 2015 are 0.111% and 24.24%, respectively; the difference in the effective tax rate for IRES, compared with the statutory rate of 27.5%, primarily reflects the deductibility (95%) of dividends received from certain subsidiaries.

FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SPA

NET INVESTED CAPITAL AND RELATED FUNDING

at 31 December (€m)	2015	2014	Increase/(decrease)	
Non-current assets:				
Property, plant and equipment	2,074	2,171	(97)	-4.5%
Investment property	61	67	(6)	-9.0%
Intangible assets	374	375	(1)	-0.3%
Investments	2,204	2,030	174	8.6%
Total non-current assets (a)	**4,713**	**4,643**	**70**	**1.5%**
Working capital:				
Trade receivables and other receivables and assets	3,840	5,683	(1,843)	-32.4%
Trade payables and other liabilities	(3,563)	(3,361)	(202)	6.0%
Current tax assets and liabilities	–	604	(604)	n/s
Total working capital: (b)	**277**	**2,926**	**(2,649)**	**-90.5%**
Gross invested capital (a+b)	**4,990**	**7,569**	**(2,579)**	**-34.1%**
Provisions for risks and charges	(1,298)	(1,247)	(51)	4.1%
Provisions for employee termination benefits	(1,320)	(1,434)	114	-7.9%
Deferred tax assets/(liabilities)	(476)	(276)	(200)	72.5%
Net invested capital	**1,896**	**4,612**	**(2,716)**	**-58.9%**
Equity	**7,646**	**6,505**	**1,141**	**17.5%**
Net funds	**5,750**	**1,893**	**3,857**	**n/s**

n/s: not significant.

Poste Italiane SpA's **Net Invested Capital** amounts to €1,896 million, amply financed by equity. A comparison with the end of the previous year, when the figure was €4,612 million, shows a significant reduction due to movements in working capital, following the collection of significant receivables, as described in greater detail below.

Non-current assets of €4,713 million are up €70 million compared with the end of 2014.
In addition to the acquisition of a 10.32% interest in Anima Holding SpA, the movement in this indicator reflects the recapitalisation of SDA Express Courier SpA (€40 million) in order to cover the losses incurred by the subsidiary through to 30 June 2015 and replenish the extraordinary reserve. This results from Poste Italiane's commitment to provide financial support for the subsidiary (whose performance was also impacted by the operating results of Italia Logistica).

Further movements in non-current assets reflect capital expenditure of €383 million, as described in the section "Capital expenditure and financial investments", and depreciation, amortisation and impairments (after reversals of impairments) of *property, plant and equipment*, *intangible assets* and *investment property*, amounting to €485 million.

Working capital amounts to €277 million at 31 December 2015, marking a decline of €2,649 million compared with the end of 2014. As described in the analysis of the Group's working capital, this primarily reflects collection of the following: Universal Service compensation,; refundable direct taxes; the amount due from the majority shareholder, the MEF, as a result of the transfer of funds to the MEF pursuant to European Commission Decision C42/2006; fees receivable in return for the distribution of postal savings products.

Equity amounts to €7,646 million at 31 December 2015, marking an increase of €1,141 million compared with 31 December 2014. The increase primarily reflects profit for the year of €451 million and movements in the fair value reserves net of tax (€931 million), as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC. These increases in equity were partially offset by the payment of dividends to the then sole shareholder, the MEF, totalling €250 million.

ANALYSIS OF POSTE ITALIANE SPA'S NET FUNDS/(DEBT)

at 31 December (€m)	2015	2014	Increase/(decrease)	
Financial liabilities	**(55,083)**	**(54,004)**	**(1,079)**	**2.0%**
Postal current accounts	(43,684)	(40,792)	(2,892)	7.1%
Bonds	(811)	(809)	(2)	0.2%
Borrowings from financial institutions	(5,807)	(7,383)	1,576	-21.3%
Loans from Cassa Depositi e Prestiti	(1)	(3)	2	-66.7%
Derivative financial instruments	(1,598)	(1,778)	180	-10.1%
Other financial liabilities	(3,182)	(3,239)	57	-1.8%
Financial assets	**56,152**	**52,038**	**4,114**	**7.9%**
Loans and receivables	9,761	8,502	1,259	14.8%
Held-to-maturity financial assets	12,886	14,100	(1,214)	-8.6%
Available-for-sale financial assets	33,177	29,387	3,790	12.9%
Derivative financial instruments	328	49	279	n/s
Net financial assets/(liabilities)	**1,069**	**(1,966)**	**3,035**	**n/s**
Cash and deposits attributable to BancoPosta	**3,161**	**2,873**	**288**	**10.0%**
Cash and cash equivalents	**1,520**	**986**	**534**	**54.2%**
Net funds/(debt)	**5,750**	**1,893**	**3,857**	**n/s**

n/s: not significant.

INDUSTRIAL NET FUNDS/(DEBT), IN ACCORDANCE WITH ESMA GUIDELINES

An analysis of industrial net funds/(debt) outside the ring-fence at 31 December 2015, in accordance with ESMA guidelines, computed on the basis of paragraph 127 of the recommendations contained in ESMA document 319 of 2013, is provided below:

at 31 December (€m)	**2015**	**2014**
A. Cash	1	2
B. Other cash equivalents	1,197	196
C. Securities held for trading	–	–
D. Liquidity (A+B+C)	**1,198**	**198**
E. Current loans and receivables	**577**	**648**
F. Current bank borrowings	(510)	(1,343)
G. Current portion of non-current debt	(16)	(13)
H. Other current financial liabilities	(77)	(898)
I. Current financial debt (F+G+H)	**(603)**	**(2,254)**
J. Currrent net funds/(debt) (I+E+D)	**1,172**	**(1,408)**
K. Non-current bank borrowings	(400)	(400)
L. Bond issues	(797)	(796)
M. Other non-current liabilities	(48)	(55)
N. Non-currrent financial debt (K+L+M)	**(1,245)**	**(1,251)**
O. Net debt (ESMA guidelines) (J+N)	**(73)**	**(2,659)**
Non-current financial assets	953	1,103
Industrial net funds/(debt) outside the ring-fence	**880**	**(1,556)**
Intersegment financial receivables	–	–
Intersegment financial payables	(577)	(64)
Industrial net funds/(debt) outside the ring-fence after adjusting for intersegment transactions	**303**	**(1,620)**

LIQUIDITY

for the year ended 31 December (€m)	**2015**	**2014**
Cash and cash equivalents at beginning of period	**986**	**588**
Cash flow from/(for) operating activities	2,303	322
Cash flow from/(for) investing activities	(518)	(440)
Cash flow from/(for) financing activities and shareholder transactions	(1,251)	516
Movement in cash	**534**	**398**
Cash and cash equivalents at end of period	**1,520**	**986**
of which:		
Cash subject to investment restrictions	*217*	*688*
Other cash subject to restrictions	*11*	*11*

Operating activities generated a cash inflow of €2,303 million as a result of, among other things, profit for the year (€451 million) and the positive movement in working capital (up €2,223 million), reflecting the collection of Universal Service compensation and other receivables.
The cash generated was used to fund the acquisition of a 10.32% interest (€210.5 million) in Anima Holding SpA, to finance capital expenditure which, after disposals, resulted in an outflow of €380 million, and to pay off short-term borrowings of approximately €1,600 million.

Cash and cash equivalents is up €534 million, after the payment of dividends of €250 million and the collection of €535 million from the MEF as a result of the return of amounts deducted from the Parent Company's retained earnings in 2008 and transferred to the MEF, pursuant to European Commission Decision C42/2006.

Net funds amount to €5,750 million at 31 December 2015, marking a significant improvement on the figure for 31 December 2014 (when net funds totalled €1,893 million). This reflects, among other things, the component linked to fair value measurement of BancoPosta RFC's investments in securities, amounting to approximately €3,455 million (€2,307 at 31 December 2014).

12 BancoPosta RFC management review

CORPORATE GOVERNANCE AT BANCOPOSTA RFC

With regard to BancoPosta RFC's governance, the rules governing the organisation, management and control of BancoPosta's operations are contained in the specific BancoPosta RFC Regulation approved by the Extraordinary General Meeting of 14 April 2011 and recently amended by the Extraordinary General Meeting of 31 July 2015. As a result of the new Supervisory Standards applicable to BancoPosta RFC, issued by the Bank of Italy on 27 May 2014, Poste Italiane, in conducting BancoPosta's activities, is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity. Further information regarding the corporate governance structure is provided in Poste Italiane's "Report on Corporate Governance and the Ownership Structure", approved by the Board of Directors and published in the "Governance" section of the Company's website.

BANCOPOSTA RFC'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM

The system of internal controls consists of a body of rules, procedures and organisational structures, which aim to prevent or limit the consequences of unexpected events, enable the achievement of strategic and operating objectives and compliance with the relevant laws and regulations, and ensure the fairness and transparency of internal and external reporting.
The most important aspect of the system is the control environment in which employees work. This environment is based on integrity and other ethical values, the organisational structure, the allocation and exercise of authorities and responsibilities, the separation of duties, staff management and incentive policies, staff expertise and, more in general, the corporate culture. BancoPosta's control environment is evidenced by:

- the Group Code of Ethics;
- implementation of the Organisational Model required by Legislative Decree 231/01 and the related corporate procedures;
- the organisational structure of BancoPosta, as reflected in organisational charts, service orders, organisational notices and procedures determining the roles and responsibilities of the various functions;
- the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" which, in implementation of the BancoPosta RFC Regulation, establish the procedures to be used in contracting out BancoPosta RFC's functions to Poste Italiane in terms of decision-making processes, the minimum content of operating guidelines, levels of services, information flows and control procedures;
- the guidelines in the Internal Control and Risk Management System (also "SCIGR"), describing the roles and duties of BancoPosta RFC's control functions, and the procedures for coordinating and ensuring the exchange of information between these functions and Poste Italiane's control functions and the flow of information to corporate bodies;
- the system for delegating powers to function heads in accordance with their responsibilities.

In terms of BancoPosta RFC's organisational structure, the existing organisational model set out in the Regulation requires, among other things:

- an interface between staff units (e.g., BancoPosta's Accountancy and Control; HR Business Partner BancoPosta) and the matching corporate functions at Poste Italiane;
- the establishment of autonomous and independent control functions in compliance with the Bank of Italy's supervisory requirements: Risk Management, Internal Auditing, Compliance and Anti-Money Laundering.

The risk assessment techniques, methods, controls and periodic audit findings are shared amongst the above control functions to promote synergies and take advantage of the specific expertise available.
In compliance with the regulatory requirements contained in the Bank of Italy's Supervisory Standards and the CONSOB regulation governing the controls to which BancoPosta is subject, in early 2016 BancoPosta's Internal Auditing function prepared its Annual Report for 2015, the purpose of which is to provide information to the various corporate bodies on the completeness, adequacy, functionality and reliability of the overall system of controls, with specific regard to information systems and the control processes, procedures and mechanisms applied in the oversight of BancoPosta's activities. The Report was prepared on the basis of the findings of the audit activities carried out by the function and set out in the Audit Plan for 2015.
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 specific operating guidelines in the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane", for the IT audit and the audit of the local units and distribution channels within Poste Italiane's network that are responsible for BancoPosta's processes and services.
The Annual Report for 2015, presented to the Board of Statutory Auditors and the Board of Directors, will subsequently be submitted to the Bank of Italy. The specific section regarding investment services will, on the other hand, be submitted to the CONSOB.
Internal Auditing has also drawn up the Annual (2016) and Multi-year (2016-2018) Audit Plan, based on a risk assessment process designed to ensure adequate coverage of BancoPosta's Business Process Model, including operational and financial risks, changing aspects of the business, regulatory issues and BancoPosta RFC's organisational structures. This Plan has been presented to the Board of Statutory Auditors and submitted for the attention of the Board of Directors.

RISK MANAGEMENT SYSTEM

BancoPosta has set up an independent Risk Management unit, responsible for ensuring, with regard to BancoPosta RFC and in collaboration with the Group Risk Management function, an integrated, retrospective and prospective view of the risk environment and of BancoPosta RFC's capital and organisational adequacy. Specifically, the function provides a detailed evaluation of the risk profile of the financial products sold to customers and provides the operational and business functions involved in product development and placement with advice and support. It is also responsible for periodic reporting.
The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities are described below:

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

During 2015, the Risk Management function proceeded with the process of complying with the new Supervisory Standards issued by the Bank of Italy on 27 May 2014, with particular regard to prudential supervisory regulations. In particular:

- a new ICAAP (Internal Capital Adequacy Assessment Process) report was prepared (the first to be prepared on a mandatory basis), setting out the process followed to assess BancoPosta RFC's capital adequacy in relation to the range of significant risks identified. Following approval by the Board of Directors on 28 April 2015, the report was submitted to the Bank of Italy;
- the first public disclosure on risk in accordance with Pillar 3 of Basel III, as at 31 December 2014, was published on Poste Italiane's website together with publication of the 2014 Annual Report and financial statements;
- a new quarterly reports (the "Tableau de Bord"), were presented to the new Audit and Risk Committee and the Board of Directors; these reports cover monitoring of the metrics included in the Risk Appetite Framework, which has been adjusted in line with the revised Business Plan.

In terms of the evolution of significant risks, 2015 primarily witnessed a reduction in the yields on Italian government securities, resulting in a further increase in fair value gains – partly recognised in profit or loss – and, following the launch

of the ECB's programme of Quantitative Easing, an increase in risk-free rates and in the spread between 10-year Treasury Notes (BTPs) and German Bunds. This situation, which continued into the second half of the year, helped to drive up the value of government securities in the available-for-sale portfolio.
The changing combination of market trends, together with the performance of deposits and investments, means that exposure to interest rate risk in the banking book, however, continued to decline, remaining consistent with the risk appetite framework, in terms of the impact on capital adequacy.
The Basel III leverage ratio, which was sufficiently above the required threshold of 3% following the appropriation of a portion of the profit for 2014 to retained earnings, has remained within the limits set by the Company's risk appetite framework.
Details of the various areas of risk and the methods used for their measurement and prevention are provided in Poste Italiane SpA's financial statements.

BANCOPOSTA RFC FINANCIAL REVIEW

Key performance indicators(*) *for the year ended 31 December*	**2015**	**2014**
ROA(1)	0.96%	0.77%
ROE(2)	30%	24%
Net interest income / Net interest and other banking income(3)	28%	28%
Operating expenses / Net interest and other banking income(4)	84%	87%

(*) The key income ratios normally used reflect the unique nature of BancoPosta RFC and the fact that payments to Poste Italiane in reimbursement of costs are classified as "administrative expenses". The absolute amounts of the ratios are, consequently, irrelevant and should not be used for market comparisons but for analyses over time.
(1) Represents the ratio of profit for the period and total assets.
(2) Represents the ratio of profit for the period and equity after deducting profit for the period and the valuation reserves.
(3) Represents the contribution from net interest income as a ratio of net interest and other banking income.
(4) Cost/income ratio.

OPERATING RESULTS

RECLASSIFIED INCOME STATEMENT

for the year ended 31 December (€m)	**2015**	**2014**	**Increase/(decrease)**	
Net interest income	**1,490**	**1,539**	**(49)**	**-3.2%**
Net fee and commission income	**3,483**	**3,512**	**(29)**	**-0.8%**
Profits/(Losses) on trading	9	3	6	n/s
Fair value adjustments in hedge accounting	1	(1)	2	n/s
Profits on disposal of financial assets	426	381	45	11.8%
Net interest and other banking income	**5,409**	**5,434**	**(25)**	**-0.5%**
Net operating income	**5,409**	**5,434**	**(25)**	**-0.5%**
Administrative expenses	(4,443)	(4,693)	250	-5.3%
Other operating income/(expenses)	(37)	(19)	(18)	94.7%
Net operating expenses	**(4,480)**	**(4,712)**	**232**	**-4.9%**
Operating profit/(loss)	**929**	**722**	**207**	**28.7%**
Net provisions for risks and charges	(60)	(31)	(29)	93.5%
Net losses /recoveries on impairment of loans and advances	(11)	–	(11)	n/s
Income/(Loss) before tax from continuing operations	**858**	**691**	**167**	**24.2%**
Taxes on income from continuing operations	(271)	(251)	(20)	8.0%
Profit/(Loss) for the year	**587**	**440**	**147**	**33.4%**

n/s: not significant.

BancoPosta RFC's performance during the year resulted in profit for the year of €587 million, an increase of 33% compared with 2014. The improvement reflects gains on the sale of financial assets (up 12% on 2014) and a reduction in administrative expenses (down 5% compared with 2014), which more than offset reductions in interest income (down 7% compared with 2014) and fee and commission income (down 1% compared with 2014).

Taking a closer look, net interest income of €1,490 million (€1,539 million in the previous year) is the difference between:

- interest earned primarily on investments in government securities and deposits at the MEF, amounting to €1,545 million (€1,662 million in 2014);
- interest expense of €55 million (€123 million in the previous year), including €34 million paid to current and term deposit account holders (€94 million in 2014) and €21 million (€29 million in 2014) payable to major financial institutions acting as counterparties in repurchase agreements.

The decrease in net interest income is primarily due to the reduction in returns on the investment of customer deposits (interest-bearing deposits with the MEF and securities), in line with market rates.
Net fee and commission income amounts to €3,483 million (€3,512 million in 2014) and includes:

- fee and commission income of €3,538 million (€3,561 million in 2014), including €1,610 million generated by operations covered by the agreement with Cassa Depositi e Prestiti (€1,640 million in 2014) and €1,928 million from the processing of bills paid by payment slip, sundry payments and from other services offered to customers (e.g. insurance broking);
- fees and commissions paid, amounting to €55 million (€49 million in 2014), primarily relating to debit/credit card clearing services.

Net interest and other banking income of €5,409 million (€5,434 million for 2014) benefitted from the above gains on the sale of financial assets, totalling €426 million (€381 million in 2014) and the net profit on trading and hedges, totalling approximately €10 million (€2 million in 2014).

Net operating expenses are down 5% from €4,712 million in 2014 to €4,480 million in 2015 . As noted above, this reflects a decrease in other administrative expenses, which are down from €4,602 million in 2014 to €4,348 million in 2015. These expenses include €4,251 million (€4,500 million in the previous year) in transfer payments to other Poste Italiane functions in accordance with the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" and the related operating guidelines for 2015. The above figures also include the cost to BancoPosta of using the commercial network, amounting to €3,898 million, which is down €185 million compared with 2014 (€4,083 million in 2014). The reduction reflects the new method of pricing in the operating guidelines, based on the real contribution of the various functions to BancoPosta RFC's results. In this regard, the transfer prices paid are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided.
Personnel expenses of €95 million (€91 million in 2014) are for BancoPosta employees shown in the following table. In carrying out its activities, BancoPosta RFC is, however, the recipient of services provided by other Poste Italiane functions, particularly post office and Contact Centre personnel.
Net other operating expenses of €37 million (€19 million in 2014) primarily relate to operating losses resulting from withdrawals that customers claim not to have made.

AVERAGE WORKFORCE(*) AT BANCOPOSTA RFC

for the year ended 31 December	**2015**	**2014**
Executives	52	47
Middle managers (A1, A2)	450	438
Grades B, C, D, E, F	1,343	1,339
Total permanent employees	**1,845**	**1,824**

(*) Expressed in full-time equivalent terms.

Income before tax from continuing operations of €858 million (€691 million in 2014) includes net provisions for risks and charges, totalling €60 million (€31 million in 2014) and net losses on loans and advances of approximately €11 million.

Information on the principal commercial initiatives undertaken by BancoPosta RFC is provided in the "Group financial review – Financial Services".

FINANCIAL POSITION AND CASH FLOW

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Assets *at 31 December (€m)*	**2015**	**2014**
Cash and cash equivalents	3,169	2,878
Available-for-sale financial assets	32,597	28,807
Held-to-maturity financial assets	12,886	14,100
Due from banks	1,303	917
Due from customers	8,931	8,494
Hedging derivatives	328	49
Tax assets	130	230
Other assets	1,626	1,495
Total assets	**60,970**	**56,970**

Liabilities and equity *at 31 December (€m)*	**2015**	**2014**
Due to banks	5,259	5,551
Due to customers	45,469	42,567
Hedging derivatives	1,547	1,720
Tax liabilities	1,051	924
Other liabilities	2,199	1,973
Employee termination benefits	19	20
Provisions for risks and charges	384	358
Total liabilities	**55,928**	**53,113**
Equity	**5,042**	**3,857**
of which:		
Initial reserve	*1,000*	*1,000*
Retained earnings	*949*	*799*
Valuation reserves	*2,506*	*1,618*
Profit for the year	*587*	*440*
Total liabilities and equity	**60,970**	**56,970**

With regard to the financial position, cash and cash equivalents amount to €3,169 million at 31 December 2015 (€2,878 million at the end of 2014). This item includes €2,953 million (€2,760 million at 31 December 2014) in cash on hand at post offices and cash in transit services deriving from postal current account balances, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books deposits) not yet deposited at Cassa Depositi e Prestiti, or advances collected from the State Treasury to finance post office operations. The line item also includes demand deposits at central banks of €216 million (€118 million at 31 December 2014).
Available-for-sale financial assets amount to €32,597 million (€28,807 million at 31 December 2014) and consist of investments in Italian government securities, securities guaranteed by the Italian government and equity instruments (primarily shares in Mastercard Incorporated, Visa Incorporated and Visa Europe). The change in debt securities is due

to the purchase of new securities, following an increase in private customer deposits during 2015 and fair value gains. In addition, in view of the macroeconomic environment, the strategy aimed at managing the duration of the portfolio, so as to protect against the exposure of securities to changes in fair value resulting from potential rises in interest rates, continued during the year.
The increase in the value of equity instruments essentially relates to the fair value of an ordinary share in Visa Europe Ltd, previously allocated to Poste Italiane SpA at the time of the company's incorporation and, at that time, accounted for at a nominal value of €10.00. At 31 December 2015, the fair value of the investment has been adjusted to take into account the likely impact of the acquisition and merger of Visa Europe Ltd with the US-registered company, Visa Incorporated. As announced on 21 December 2015, Visa Europe has informed its Principal Members that each of them will be paid a consideration and, at that date, the amount due to Poste Italiane at transaction closing, expected by the end of June 2016 – subject to clearance from the relevant authorities – was estimated by the investee to be €111 million, including €83 million in cash and €28 million in Visa Inc. stock (Convertible Participating Preferred Stock) convertible into class A shares within 12 years of the closing.
Held-to-maturity financial assets, consisting of fixed payment or fixed maturity debt securities, amount to €12,886 million, marking a reduction on the previous year (€14,100 million at 31 December 2014), primarily due to the redemption of matured securities, totalling €1,196 million.
Amounts due to customers are up from the €8,494 million of 31 December 2014 to €8,931 million at 31 December 2015. They include €5,855 million (€5,467 million at 31 December 2014) in amounts deposited by Public Administration customers and held at the MEF, which, under a specific agreement with the MEF, earn a variable rate of return, calculated on a basket of government bonds. During the year, BancoPosta RFC entered into derivative contracts to convert part of the return on the longer-term component of such deposits, in 2015, to fixed rate through a series of repurchase agreements of 7-year BTPs, without delivery of the underlying securities at maturity but with settlement of the difference between the forward price of the securities and their market value.
Other assets are up from €1,495 million at 31 December 2014 to €1,626 million at the end of 2015 and essentially regard the payment of tax withholdings and items in progress that will be settled after the end of the reporting period.

The amount due to banks, totalling €5,259 million (€5,551 million at 31 December 2014), primarily regards repurchase agreements amounting to €4,895 million (€5,231 million at 31 December 2014), relating to:

- €4,111 million (including €9 million in accrued interest) in Long-Term RePos entered into with major financial institutions, with the relevant proceeds invested in fixed-income Italian government bonds with the same nominal amount;
- €784 million in ordinary repurchase agreements designed to optimise returns on investments with respect to short-term movements in private customer deposits.

The amount due to customers is up from €42,567 million at the end of December 2014 to €45,469 million at 31 December 2015. This regards current account deposits of €43,093 million (€40,012 million at 31 December 2014), other forms of deposit of €1,978 million (€1,433 million at 31 December 2014), primarily including Postepay accounts, totalling €1,438 million (€922 million at 31 December 2014), and other amounts of €398 million (€1,122 million at 31 December 2014), above all term deposits of €384 million (€645 million at 31 December 2014).
The increase in direct deposits is due to general market conditions, marked by low interest rates and a lack of attractive alternative forms of cash investment.
Other liabilities of €2,199 million (€1,973 million at 31 December 2014) primarily regard tax liabilities in the form of tax withholdings, items in progress that will be settled after the end of the reporting period and amounts payable to other Poste Italiane functions. In this regard, it should be noted that, in carrying out its activities, BancoPosta RFC makes use of real estate assets (e.g., use and management of office space for BancoPosta's operations) and technology assets (e.g., the design and implementation of new services, the development and maintenance of operations and business software) owned by Poste Italiane SpA. The provision of these services is regulated by operating guidelines and remunerated through the payment by BancoPosta RFC of transfer prices to Poste Italiane.
BancoPosta RFC's equity at 31 December 2015 amounts to €5,042 million (€3,857 million at the end of 2014). In addition to the initial reserve of €1 billion, it includes retained earnings of €949 million, the positive movement in the fair value reserve for investments in available-for-sale financial assets, totalling €2,506 million, and profit for the year of €587 million.

BANCOPOSTA RFC'S OPERATIONS FOR THE PERIOD

REGULATORY ENVIRONMENT

The process of ensuring compliance with the Supervisory Standards issued by the Bank of Italy (Circular 285 of 17 December 2013) continued during 2015. The Circular has extended the prudential requirements already applicable to banks, with certain specific adjustments, to BancoPosta RFC, including those regarding capital adequacy, risk containment, corporate governance and internal controls.
The main activities undertaken, a number of which in preparation and necessary for the stock market listing, resulted in an overall strengthening of BancoPosta RFC's structure, reflecting approval, by the decision-making bodies, of the necessary governance and organisational documents – including revised forms of the BancoPosta RFC Regulation, the Guidelines for Internal Control and Risk Management System (SCIGR), the Guidelines for managing conflict-of-interest transactions with related and associated parties, Guidelines for Poste Italiane's financial management, the Risk Appetite Framework and material transactions, the Fair value policy, the Consolidated Guidelines governing IT Compliance (ICT governance and organisation).
The internal regulations will be expanded and further details added with organisational and operational documentation in 2016 (e.g., a revision of the BancoPosta RFC Regulation), building on the compliance processes carried out in 2015. Work on the IT and business continuity system will continue to occupy the Company in the coming years.

In terms of BancoPosta's products and services, following changes to the "Regulations regarding the transparency of banking and financial transactions and services. Fairness in relations between intermediaries and customers", introduced by the Bank of Italy on 15 July 2015, amendment of the related information documents was completed (within the established deadline of 1 October 2015), including the leaflets relating to current accounts and loans, documents in line with the Standard European Consumer Credit Information, periodic summaries of current account terms and conditions sent to customers and bank statements. To comply with the new regulations, it was also necessary to make changes to the website, the related internal regulations and training materials.

With regard to investment services, regulated by the Markets in Financial Instruments Directive (MiFID), work has continued on strengthening organisational and procedural aspects in line with the CONSOB announcement 97996/14 of 22 December 2014. In particular, a new classification of MiFID products has been drawn up, based on their complexity.

In terms of payment services, following the European Banking authority's issue of "Guidelines on the security of internet payments" on 19 December 2014, a specific self-assessment of internal procedures and the related applications was conducted. A plan was then drawn up to ensure compliance by the end of 2016, focusing, among other things, on strengthening the IT procedures and platforms used to monitor transactions and combat online fraud.

Further steps were taken to reinforce the processes and procedures designed to prevent money laundering and the financing of terrorism, as part of a structured compliance programme that will involve the progressive release of IT components and procedures. In particular, work has continued on the process for acquiring the information needed for "adequate checks" and on the implementation of operating procedures to support compliance with the obligation to refuse to carry out transactions and to return funds, in cases where it is impossible to conduct adequate checks. In addition, the rollout of the new IT platform to help in the process of flagging potentially suspect transactions was completed and, in order to make active cooperation more effective, an organisational procedure was introduced with the aim of improving and speeding up the procedures involved in reporting suspect transactions to Italy's Financial Intelligence Unit (*UIF*).

With regard to insurance broking, on 26 August 2015, IVASS and the Bank of Italy sent a joint communication to banks, financial intermediaries and insurers, requesting enhanced protection for customers when selling PPI (Payment Protection Insurance).
In response, Poste Italiane and Poste Vita drew up a "Compliance plan", setting out the steps necessary in order to ensure full compliance with the regulator's requests in 2016. Among other things, the plan entails:

- improving the transparency of the information provided and the preventive checks carried out (including computerised checks) at the distribution stage;
- improvements to "post-sales" procedures, automating and simplifying the process for withdrawal from or early termination of a loan agreement;
- updates to internal procedures and the training of the relevant staff.

BANCOPOSTA RFC EVENTS AFTER 31 DECEMBER 2015

Events after the end of the reporting period are described in other sections of the document and there are no further material events occurring after 31 December 2015 to report.

OUTLOOK FOR BANCOPOSTA RFC

In 2016, BancoPosta RFC will continue to implement the strategic objectives forming the basis for the Business Plan, with particular attention to fully exploiting its customer base. This will involve targeted offerings of products and services capable of consolidating customer relations and boosting deposits, extension of the range of offerings and the repositioning of BancoPosta as a provider of digital services as part of Poste Italiane's wider multi-channel strategy. The strategy of actively managing the securities portfolio, with the aim of stabilising the overall return, in terms of interest income and capital gains, will continue. Finally, during 2016, BancoPosta plans to strengthen its partnership with Cassa Depositi e Prestiti in order to identify and examine other areas for commercial cooperation by exploiting synergies between the CDP group and the Poste Italiane Group.
BancoPosta RFC's operating results for 2016 are expected to be broadly stable.

OTHER INFORMATION ON BANCOPOSTA RFC

RELATED PARTY TRANSACTIONS

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 2015, Part H of the notes).

SEPARATE FINANCIAL STATEMENTS

Poste Italiane SpA's financial statements include separate BancoPosta financial statements in compliance with art. 2, paragraph 17-*undecies* of Law 10 converting Legislative Decree 225 of 29 December 2010, requiring separate disclosure of BancoPosta's ring-fenced assets and liabilities.

INTERSEGMENT TRANSACTION

Intersegment transactions between BancoPosta and Poste Italiane functions outside the ring-fence are set out in Poste Italiane's financial statements (7. BancoPosta RFC's Separate Report for the year ended 31 December 2015, Part A of the notes).

Information on proceedings and BancoPosta RFC's relations with the authorities are provided in the section, "Other information".

13 Summary of the resolutions of the ordinary shareholders' meeting

The ordinary Shareholders' Meeting of Poste Italiane S.p.A. held in Rome in single call on May 24, 2016 at the "Sala Sinopoli" of the Auditorium Parco della Musica, Viale Pietro de Coubertin n. 30, adopted the following resolutions:

1. approved the financial statements of Poste Italiane S.p.A. for the year ended December 31, 2015; and took note of the results of the consolidated financial statements of the Poste Italiane Group, also for the year ended December 31, 2015, which closed with net income for the year of euro 552 million;
2. resolved to:
   (i) allocate entirely the net income of BancoPosta's Ring-fenced Capital of 586,969,571 euro to the disposal of the Company;
   (ii) allocate Poste Italiane S.p.A.'s net income for 2015, amounting to 450,798,723 euro, as follows come:
   - to the distribution to the Shareholders, as a dividend, 0.34 euro for each of the 1,306,110,000 ordinary shares in circulation on June 20, 2016, the day scheduled as the ex-dividend date, amounting to a total of 444,077,400 euro;
   - to "Retained Earnings" the remaining part of the net income, amounting to 6,721,323 euro;

   (iii) pay the aforesaid dividend for 2015 of 0.34 euro per ordinary share – before withholding tax, if any – from June 22, 2016, with the "ex-dividend" date of coupon n. 1 falling on June 20, 2016 and the record date (i.e., the date of entitlement to the payment of the aforesaid dividend pursuant to article 83-terdecies of Legislative Decree n. 58 of February 24, 1998 and article 2.6.6, paragraph 2, of the Regulations of the markets organized and managed by Borsa Italiana S.p.A.) falling on June 21, 2016.
3. resolved to change the number of members of the Company's board of directors from seven to nine;
4. complemented the composition of the board of directors, appointing, as members of the same board, Giovanni Azzone and Mimi Kung;
5. appointed the new board of statutory auditors, which will remain in office until the approval of the financial statements for 2018, in the persons of:
   - Mauro Lonardo – Chairman of the board of statutory auditors
   - Alessia Bastiani – Effective auditor
   - Maurizio Bastoni – Effective auditor
   - Andrea Bonechi – Alternate auditor
   - Marina Colletta – Alternate auditor
   - Ermanno Sgaravato – Alternate auditor

   setting the related compensation at euro 80,000 a year for the Chairman and euro 70,000 for the other effective auditors, in addition to reimbursement of the travel and living expenses incurred because of their duties, due documented;
6. approved the long-term incentive plan 2016-2018 addressed to executives of Poste Italiane S.p.A. and its subsidiaries pursuant to article 2359 of the Italian Civil Code, whose features are described in a document prepared pursuant to article 84-bis, paragraph 1, of Consob Resolution n. 11971 of May 14, 1999, attributing to the board of directors all the powers necessary to concretely implement sunch long-term Incentive plan;
7. resolved in favor of the first section of the Report on Remuneration, which explains the Company's policy regarding the remuneration and incentive plans for members of the board of directors and other executives with strategic responsibilities, as well as the procedures used for the adoption and implementation of such policy, approving also the guidelines on the policies of remuneration and incentive plans of BancoPosta's Ring-Fenced Capital;
8. adjusted, upon proposal of the board of statutory auditors, the financial conditions currently provided for by the assignment of the external audit entrusted to PricewaterhouseCoopers SpA, establishing in particular to correspond to the same PricewaterhouseCoopers SpA – following the increase of activities required to the external auditor deriving from the listing, since October 27, 2015, of the Company's shares on the electronic stock exchange (Mercato Telematico Azionario) organized and managed by Borsa Italiana – an additional fee equal to euro 500,000, in addition to the reimbursement of expenses within the limit of 5% of the fees and V.A.T., equitably divided for each year of the period 2015-2019.

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(*)

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	224,366	209,015	15,351	7.3%
Operating profit/(loss)	570	3,364	(2,794)	-83.1%
Profit/(loss) for the year	(3,535)	146	(3,681)	n/s
Investment	13,561	10,098	3,463	34.3%
Equity	103,265	134,716	(31,451)	-23.3%
Permanent workforce – end of period	1,186	1,069	117	10.9%
Flexible workforce – average	33	24	9	37.5%

(*) Postel SpA incorporated PostePrint SpA, effective from an accounting and tax viewpoint from 1 January 2015.
n/s: not significant.

SDA EXPRESS COURIER SPA(*)

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	534,950	511,140	23,810	4.7%
Operating profit/(loss)	(51,071)	(21,066)	(30,005)	n/s
Profit/(loss) for the year	(39,322)	(21,273)	(18,049)	84.8%
Investment	10,267	5,114	5,153	n/s
Equity	498	784	(286)	-36.5%
Permanent workforce – end of period	1,434	1,397	37	2.6%
Flexible workforce – average	144	170	(26)	-15.3%

(*) SDA Express Courier SpA incorporated Italia Logistica Srl, effective from an accounting and tax viewpoint from 1 June 2015.
(**) Equity includes the recapitalisation of €40 million completed by the Parent Company during the year.
n/s: not significant.

POSTE TUTELA SPA

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	84,039	86,472	(2,433)	-2.8%
Operating profit/(loss)	411	1,311	(900)	-68.6%
Profit/(loss) for the year	258	902	(644)	-71.4%
Investment	41	160	(119)	-74.4%
Equity	12,662	12,401	261	2.1%
Permanent workforce – end of period	15	13	2	15.4%

POSTECOM SPA

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	79,015	91,394	(12,379)	-13.5%
Operating profit/(loss)	1,999	525	1,474	n/s
Profit/(loss) for the year	77	(1,035)	1,112	n/s
Investment	7,579	10,978	(3,399)	-31.0%
Equity(*)	21,003	50,815	(29,812)	-58.7%
Permanent workforce – end of period	289	351	(62)	-17.7%
Flexible workforce – average	6	8	(2)	-25.0%

(*) The company paid dividends totalling €30 million during the year.
n/s: not significant.

EUROPA GESTIONI IMMOBILIARI SPA(*)

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	14,447	15,779	(1,332)	-8.4%
Operating profit/(loss)	2,000	1,205	795	66.0%
Profit/(loss) for the year	943	45	898	n/s
Investment	812	956	(144)	-15.1%
Equity(**)	233,833	362,857	(129,024)	-35.6%
Permanent workforce – end of period	30	17	13	76.5%

(*) Europa Gestioni Immobiliari SpA incorporated Poste Energia SpA , effective from an accounting and tax viewpoint from 31 December 2015.
(**) The company paid dividends totalling €130 million during the year.
n/s: not significant.

POSTESHOP SPA

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	9,761	23,000	(13,239)	-57.6%
Operating profit/(loss)	(3,097)	(12,070)	8,973	-74.3%
Profit/(loss) for the year	595	(12,544)	13,139	n/s
Investment	–	12	(12)	n/s
Equity(*)	1,895	(7,752)	9,647	n/s
Permanent workforce – end of period	28	47	(19)	-40.8%
Flexible workforce – average	1	1	–	n/s

(*) Equity includes the recapitalisation of €9 million completed by the Parent Company during the year.
n/s: not significant.

MISTRAL AIR SRL

(€000)	2015	2014	Increase/(decrease)	
Revenue from sales and services	115,772	130,780	(15,008)	-11.5%
Operating profit/(loss)	1,078	(2,502)	3,580	n/s
Profit/(loss) for the year	573	(2,495)	3,068	n/s
Investment	88	269	(181)	-67.3%
Equity	4,577	3,998	579	14.5%
Permanent workforce – end of period	152	163	(11)	-6.7%
Flexible workforce – average	77	50	27	54.0%

n/s: not significant.

BANCOPOSTA FONDI SPA SGR

(€000)	2015	2014	Increase/(decrease)	
Fee income	58,084	48,880	9,204	18.8%
Net fee income	34,188	28,816	5,372	18.6%
Profit/(loss) for the year	16,496	14,092	2,404	17.1%
Financial assets (liquidity and securities)	65,851	67,891	(2,040)	-3.0%
Equity(*)	56,820	60,274	(3,454)	-5.7%
Permanent workforce – end of period	52	55	(3)	-5.5%
Flexible workforce – average	1	–	1	n/s

(*) The company paid dividends totalling €20 million during the year.

n/s: not significant.

BANCA DEL MEZZOGIORNO – MEDIOCREDITO CENTRALE SPA

(€000)	2015	2014	Increase/(decrease)	
Net interest income	47,725	43,699	4,026	9.2%
Net fee and commission income	44,055	41,070	2,985	7.3%
Profit/(loss) for the year	32,427	37,562	(5,135)	-13.7%
Financial assets	2,523,777	2,273,506	250,271	11.0%
Equity(*)	425,511	426,747	(1,236)	-0.3%
Permanent workforce – end of period	274	268	6	2.2%
Flexible workforce – average	21	16	5	31.3%

(*) The company paid dividends totalling €34 million during the year.

POSTE VITA SPA(*)

(€000)	2015	2014	Increase/(decrease)	
Insurance premium revenue(**)	18,145,452	15,430,742	2,714,710	17.6%
Profit/(loss) for the year	388,421	350,157	38,264	10.9%
Financial assets	102,210,858	89,983,564	12,227,294	13.6%
Technical provisions for insurance business	100,201,523	87,129,449	13,072,074	15.0%
Equity(***)	3,283,955	3,052,208	231,747	7.6%
Permanent workforce – end of period	311	279	32	11.5%
Flexible workforce – average	3	12	(9)	-75.0%

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared under Italian GAAP and in accordance with the Italian Civil Code.

(**) Insurance premium revenue is reported gross of outward reinsurance premiums.

(***) The company paid dividends totalling €150 million during the year.

POSTE ASSICURA SPA(*)

(€000)	2015	2014	Increase/(decrease)	
Insurance premium revenue(**)	93,287	79,001	14,286	18.1%
Profit/(loss) for the year	8,954	7,254	1,700	23.4%
Financial assets	139,884	117,013	22,871	19.5%
Technical provisions for insurance business	112,317	89,774	22,543	25.1%
Equity	65,225	54,813	10,412	19.0%
Permanent workforce – end of period	57	52	5	9.6%
Flexible workforce – average	–	4	(4)	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)	2015	2014	Increase/(decrease)	
Revenue from sales and services	333,530	325,290	8,240	2.5%
Operating profit/(loss)	31,116	13,651	17,465	n/s
Profit/(loss) for the year	18,726	7,760	10,966	n/s
Investment	29,077	56,127	(27,050)	-48.2%
Equity(*)	66,657	72,660	(6,003)	-8.3%
Permanent workforce – end of period	308	326	(18)	-5.5%
Flexible workforce – average	5	5	–	n/s

(*) The company paid dividends totalling €25 million during the year.

n/s: not significant.

Glossary

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

Distribution centres: physical sites serving their local area, carrying out the basic delivery service, internal handling, support services for the transport network, other external activities not directly linked to distribution and, on occasion, other high-value-added services.

e-Government (electronic government): the computerisation of Public Administration 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.

Full Time Equivalent (FTE): this figure indicates the size of the workforce based on the number of hours worked by individual employees as a proportion of the total available working hours, meaning that a part-time member of staff working 50% of the normal working hours is equal to 0.5 FTE. The figure serves solely to convert part-time staff into full time equivalents regardless of the type of contract.

***Gamma Free*:** a range of non-universal services covering the shipment and delivery of signed-for mail prepared by the customer using special pre-franked packaging purchased at post offices or from other authorised vendors. *Gamma Free* includes the following services: *Postafree*, which regards items of up to 2 kg to be delivered within 3 to 5 working days; *Paccofree*, regarding items of up to 30 kg to be delivered within 1 to 2 working days.

INS (Integrated Notification Service): this is a range of services for managing the whole notification process for administrative and legal process and registered mail with advice of receipt.

International Post Corporation (IPC): a cooperative specialised in the development of operational and commercial projects for postal services, the objective of which is to improve quality of service.

J+(n): the letter J indicates the day on which the item of mail was posted and the figure indicates the number of working days after the postage date needed to complete delivery.

Long Term Evolution (LTE): this is a fourth generation mobile system with respect to GSM/UMTS/HSDPA, designed to provide high-speed, low latency data transmission. LTE is the latest development of 4G, capable of enabling highly interactive services, such as games and video conferencing.

Posta Pick-up: a service involving the door-to-door collection of mail and parcels.

PosteID: a digital security system created by Poste Italiane in order to access information and carry out transactions on websites and e mobile phones.

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".

Storage: this is the process of saving information for long periods of time using IT systems capable of guaranteeing coherence and consistency, regardless of the manner in which the individual systems operate.

UCITS (*Undertakings for Collective Investment in Transferable Securities*): this acronym refers to the EU Directive governing the distribution in member states of UCIs domiciled in one of those states. A UCITS complies with EU law regarding three principal aspects: it is subject to the same rules in every EU country, and is thus freely distributable in Europe; it may invest in numerous financial instruments, provided that they are provided for by law; it contains restrictions on investments with the aim of protecting investors.

Financial statements

for the year ended

31 December 2015

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Summary

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF POSTE ITALIANE SPA FOR THE YEAR ENDED 31 DECEMBER 2015

1 Introduction

Poste Italiane SpA (the "Parent Company") is the company formed following conversion of the former Public Administration entity, "Poste Italiane", under Resolution 244 of 18 December 1997. Its registered office is at Viale Europa 190, Rome (Italy).

On 8 October 2015, Borsa Italiana admitted Poste Italiane's shares to trading on its *Mercato Telematico Azionario* (the *MTA*, an electronic stock exchange) and, on 9 October 2015, following the CONSOB's announcement of its approval (protocol no. 0078593/15), the Company published the related Prospectus. The shares began trading on the MTA on 27 October 2015. At 31 December 2015, the Company is 64.7% owned by Ministry of the Economy and Finances ("MEF"), with the remaining shares held by institutional and retail investors.

The **Poste Italiane Group** (the "Group") provides a universal postal service in Italy as well as integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 13,000 post offices. The Group manages its business in terms of four operating segments: Postal and Business Services, Financial Services, Insurance Services, and Other Services. Postal and Business Services include mail, express delivery, logistics, parcels and philately, in addition to the activities performed by the various structures of Poste Italiane SpA in favour of the Other sectors in which the Group operates. Financial Services primarily regard the activities of BancoPosta (as listed in art. 2 of Presidential Decree 144 of 14 March 2001), which are managed as a segregated portfolio within Poste Italiane SpA; these include the collection of all forms of savings deposits from the public, the provision of payment services, foreign currency exchange, the promotion and arrangement of loans issued by banks and other authorised financial institutions, and the provision of investment services. Insurance Services are provided by the subsidiary, Poste Vita SpA, which operates in ministerial life assurance Classes 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 2015 includes the consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA, to which BancoPosta RFC's Separate Report is attached. Disclosure regarding matters common both to the Group and to Poste Italiane SpA is provided only once, in sections relevant to both sets of statements; unless otherwise indicated, the contents of these sections apply to both consolidated and separate financial statements. In particular, common disclosure notes are provided in relation to the following topics:

- accounting policies, measurement criteria and estimation methods adopted (notes from 2.2 to 2.6);
- risk analysis and management (note 5);
- pending legal actions and relations with the authorities (note 6).

Note 7 includes BancoPosta RFC's Separate Report, which forms an integral part of Poste Italiane SpA's financial statements, but is prepared in accordance with the specific financial reporting rules laid down by the applicable banking regulations.

The consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA (also, the annual accounts) refer to the year ended 31 December 2015 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[20], the statement of changes in equity, the statement of cash flows and the notes to the financial statements. All amounts in the consolidated financial statements and the notes are shown in millions of euros, unless otherwise stated.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros, whilst those in the notes are shown in millions of euros, unless otherwise stated.

(20) The statement of comprehensive income shows "Profit/(loss) for the year" and "Other comprehensive income" recognised directly in equity. The latter includes, but is not limited to, actuarial gains/(losses) from defined benefit plans (employee termination benefits and pensions plans), unrealised gains/(losses) on available-for-sale financial assets and the effective portion of cash flow hedges. This Statement includes items that will be reclassified to profit or loss and items that will not.

2 Basis of preparation and significant accounting policies

2.1 COMPLIANCE WITH IAS/IFRSS

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 22 March 2016, the date on which the Board of Directors of Poste Italiane SpA approved the annual accounts.

2.2 BASIS OF PREPARATION

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 2014, save for the classification in the "Statement of profit and loss" of "Changes in accounting estimates"[21], which, from 1 January 2015, are recognised by their nature in the statements of profit and loss for previous years and are no longer classified as "Other operating income" or "Other operating costs". The introduction of new IFRSs did not have any effect on these financial statements (note 2.6).

The statement of financial position has been prepared on the basis of the **current/non-current distinction**[22]. In the statement of profit or loss, **expenses are classified according to their nature**. The **indirect method**[23] 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 transactions that occur infrequently in the normal course of business. Given the diverse nature and frequency of transactions conducted by Group companies, numerous income and expense items of a non-regular nature may occur with considerable frequency. These items of income and expense are only presented separately when they are both of an exceptional nature and were generated by a materially significant transaction.

(21) As defined by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting estimate "is an adjustment of the carrying amount of an asset or a liability (…) that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors." (IAS 8, para. 5). Recognition of the same estimates in the statements of profit and loss for previous years has been made possible thanks to developments in the accounting system used (see IAS 8, para. 50).

(22) 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).

(23) Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

In order to allow comparison on a like-for-like basis with amounts for the year ended 31 December 2014, certain notes have been reclassified.

Pursuant to article 2447-*septies* of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included therein (hereafter: "BancoPosta RFC") are shown separately in Poste Italiane SpA's statement of financial position, in a specific supplementary statement, and in the notes to the financial statements.

At the date of approval of these financial statements, there is no established practice on which to base interpretation and application of newly published, or revised, international accounting standards. In addition, guidance regarding certain aspects of taxation[24] 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The Poste Italiane Group's financial statements have been prepared on a **historical cost basis**, with the exception of certain items for which **fair value measurement** is obligatory.

The principal accounting policies adopted by the Poste Italiane Group are described below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. Cost includes any directly attributable costs incurred to prepare the asset for its intended use, and the cost of dismantling and removing the asset to be incurred as a result of legal obligations requiring the asset to be restored to its original condition. Borrowing costs incurred for the acquisition or construction of property, plant and equipment are recognised as an expense in the period in which they are incurred (with the exception of borrowing costs directly attributable to the acquisition or construction of a qualifying asset, which are capitalised as part of the cost of the asset in question). Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the year in which they are incurred. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different useful life and value to be recognised separately. The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, based on the asset's expected useful life.
The useful life and residual value of property, plant and equipment are reviewed annually and adjusted, where necessary, at the end of each year. Land is not depreciated. When a depreciable asset consists of separately identifiable components, with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately, in accordance with the component approach, over a period that does not exceed the life of the principal asset.

(24) The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP.

The Poste Italiane Group has estimated the following useful lives for the various categories of property, plant and equipment:

Category	Years
Buildings	25–33
Structural improvements to own assets	20
Plant	4–10
Light constructions	10
Equipment	5–10
Furniture and fittings	8
Electrical and electronic office equipment	3–10
Motor vehicles, automobiles, motorcycles	4–10
Leasehold improvements	Estimated lease term(*)
Other assets	3–5

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

Property and any related fixed plant and machinery located on land held under concession or sub-concession, which is to be returned free of charge to the grantor at the end of the concession term, are accounted for, based on the nature of the asset, within property, plant and equipment and depreciated on a straight-line basis over the shorter of the useful life of the asset and the residual concession term.

Gains and losses deriving from the disposal or retirement of an asset are calculated as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in profit or loss in the period in which the transaction occurs.

INVESTMENT PROPERTY

Investment property relates to land or buildings held with a view to earn rental or lease income or for capital appreciation or both; in both cases such property generates cash flows that are largely independent of other assets. The same accounting treatment is applied to investment property as to property, plant and equipment.

INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance, which is controllable and capable of generating future economic benefits. Intangible assets are recognised at cost, including any directly attributable costs required to prepare the asset for its intended use, less accumulated amortisation and any accumulated impairment losses. Borrowings costs are capitalised as part of the cost of the asset only if directly attributable to its purchase or development; otherwise, they are recognised as an expense in the period in which they are incurred. Amortisation is applied from the date the asset is ready for use, systematically over the remaining useful life of the asset, or its estimated useful life.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the company or business acquired, at the date of acquisition. Goodwill attributable to investments accounted for using the equity method is included in the carrying amount of the equity investment. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment. This test is performed with reference to the cash generating unit ("CGU") to which the goodwill is attributable. An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use[25], calculated as the present value of the future cash flows expected to be derived

(25) Value in use is determined based on the method described below in "Impairment of assets".

from the cash generating unit and from its disposal at the end of its useful life. Impairment losses on goodwill cannot be subsequently reversed.
When the impairment resulting from the test is higher than the carrying amount of the goodwill attributed to the cash generating unit, the residual amount is attributed to the assets included in the cash generating unit in proportion to their carrying amounts. The minimum attributable amount is the highest of:

- the related fair value of the asset less costs to sell**,**
- the related value in use, when determinable, and
- zero.

INDUSTRIAL PATENTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES AND SIMILAR RIGHTS

The costs of acquiring industrial patents, intellectual property rights, licences and similar rights are capitalised. Amortisation is applied on a straight-line basis, in order to allocate the purchase cost over the shorter of the expected useful life of the asset and any related contract terms, from the date the Group has the right to use the asset.
Costs associated with developing or maintaining software programmes are recognised in profit or loss in the period in which they are incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Directly attributable costs, to the extent separately identifiable and measurable, include the cost of staff involved in software development and an appropriate portion of the relevant overheads. Amortisation is calculated on the basis of the estimated useful life of the software, which is usually three years. Research and development costs are not capitalised.

LEASED ASSETS

Assets held under finance leases, where the risks and rewards of ownership are substantially transferred to the lessee, are recognised at fair value or, if lower, at the present value of the minimum lease payments. The corresponding obligation toward the lessor, which is equal to the principal amount of future lease payments, is recognised as a financial liability. Depreciation is calculated on a straight-line basis, based on the useful lives of the various categories of asset previously described for property, plant and equipment and intangible assets.
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the lease term.

IMPAIRMENT OF ASSETS

At the end of each reporting period, property, plant, equipment and intangible assets with finite and indefinite lives are analysed to assess whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment loss to be recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset.
In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money, 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 cash generating unit (CGU) to which the asset belongs.
Regardless of any impairment indicator, the assets listed below are tested for impairment every year:

- intangible assets with an indefinite useful life or that arte not yet available; the impairment test can take place at any time during the year, provided that it is performed at the same time in each of the following years;
- goodwill arising on acquisition.

An impairment loss is recognised for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

INVESTMENTS

In the Poste Italiane Group's consolidated financial statements, investments in subsidiaries that are not significant and are not consolidated and those in companies over which the Group exerts significant influence ("associates") are accounted for using the equity method. See also note 3.2 – Basis of consolidation.
In Poste Italiane SpA's separate financial statements, investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment is recognised in profit or loss as an impairment loss. When an impairment no longer exists, the carrying amount of the asset is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.

FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities that are classified on initial recognition at fair value based on the business purpose for which they were acquired. The purchase and sale of financial instruments are recognised by category, either on the date on which the Group commits to purchase or sell the asset (trade date or transaction date), or, in the case of the insurance transactions and BancoPosta's operations, at the settlement date[26]. For BancoPosta operations, the settlement date almost always coincides with the transaction date. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the following categories and valued as follows:

- Financial assets at fair value through profit or loss

  This category includes: (a) financial assets held for trading, (b) those that qualify for designation at fair value through profit or loss on initial recognition, or for which the option to measure at fair value can be exercised, and (c) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets in this category are accounted for at fair value and changes during the period of ownership are recognised in profit or loss. Financial instruments in this category are classified as short-term if they are held for trading or if they are expected to be realised within twelve months of the end of the reporting period. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative. Fair value gains and losses on outstanding transactions with the same counterparty are offset, where contractually permitted.
- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and primarily regard amounts due from customers, including trade receivables. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. These assets are carried at amortised cost[27] using the effective interest rate method. If there is objective evidence of impairment, the asset is written down to the present value of the estimated future cash flows, with such impairment loss being recognised in profit or loss. If in subsequent periods the conditions which led to the impairment no longer exist, the carrying amount of the asset is reinstated on the basis of the value that would have resulted from application of the amortised cost method. The estimation procedure adopted in determining provisions for doubtful debts, or operating revenue to be so allocated, 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.

(26) This is possible for transactions carried out on organised markets (the "regular way").

(27) 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.

- 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 such reserve being accounted for in "Other components of comprehensive income" (the "Fair value reserve). This reserve is only recycled to profit or loss when the financial asset is effectively disposed of (or settled) or, in the event of accumulated losses, when there is evidence that the impairment recognised in equity cannot be recovered. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after an impairment loss was recognised in profit or loss, the value of the financial instrument is reinstated and the reversal recognised in profit or loss. The recognition of returns on debt securities under the amortised cost method takes place through profit or loss, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific equity reserve, with movements in the reserve accounted for in "Other components of comprehensive income". The classification of an asset as current or non-current depends on the term to maturity of the financial instrument. Financial instruments expected to be realised within twelve months of the end of the reporting period are, in any event, classified as current assets.

  Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred.

FINANCIAL LIABILITIES

Financial liabilities, including borrowings, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied.
Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.
Financial liabilities are derecognised when settled or when all the related risks and rewards have been substantially transferred.

DERIVATIVE 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[28]

  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.

(28) 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.

IAS 39 allows, in addition to individual assets and liabilities, the designation of a cash amount, representing a group of financial assets and liabilities (or portions thereof) as the hedged item in such a way that a group of derivative instruments may be used to reduce exposure to fair value interest rate risk (a so-called macro hedge). Macro hedges cannot be used for net amounts deriving from differences between assets and liabilities. Like micro hedges, macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by IAS 39.

- Cash flow hedges[29]

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in “Other comprehensive income” (the “Cash flow hedge reserve”). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period.

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

CLASSIFICATION OF RECEIVABLES AND PAYABLES ATTRIBUTABLE TO BANCOPOSTA RFC

Receivables and payables attributable to BancoPosta RFC are treated as financial assets and liabilities if related to BancoPosta’s typical deposit-taking and lending activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 272 of 30 July 2008 – The Account Matrix, are accounted for in trade receivables and payables.

OWN USE EXEMPTION

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, (and, as of 31 December 2015, by EGI 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.

(29) 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.

INCOME TAX EXPENSE

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference is controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future (IAS 12.39 and 12.40). In accordance with IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity. Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same taxpaying entity, which has the legally exercisable right to offset the amounts recognised, and the entity has the intention of exercising this right. As a result, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against related assets deriving from withholding tax or advances paid.
The Group's tax expense and related accounting treatment reflect the effects of the election to adopt a tax consolidation arrangement, in accordance with relevant legislation, by Poste Italiane SpA, together with the subsidiaries Poste Vita SpA, SDA Express Courier SpA, Mistral Air Srl. and, starting 1 January 2015, PosteShop SpA. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid.
Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. From 2013, following the adoption of new tax consolidation rules, the economic benefits deriving from the offset of tax losses transferred to the consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA.
Other taxes not related to income are included in "Other operating costs".

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of interchangeable items and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable items, cost is measured on the basis of the specific cost of the item at the time of purchase.
The value of the inventories is adjusted, if necessary, by provisions for obsolete or slow moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the end of the reporting period. Assets are not, however, recognised in the statement of financial position when the Group has incurred an expense that, based on the best information available at the date of preparation of the financial statements, is deemed unlikely to generate economic benefits for the Group after the end of the reporting period.
In the case of properties held for sale[30], 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[31].

(30) 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.

(31) 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(32), Green Certificates (or Emission Allowances) are a means of reducing greenhouse gas emissions, introduced into Italian and European legislation by the Kyoto Protocol with the aim of improving the technologies used in the production of energy and in industrial processes.
The European Emissions Trading Scheme, which works on the basis of the cap and trade principle, has capped annual greenhouse gas emissions at European level. This corresponds to the issue, free of charge, of a set number of emission allowances by the competent national authorities. During the year, depending on the effective volume of greenhouse gas emissions produced with respect to the above cap, each company has the option of selling or purchasing emission allowances on the market.
In compliance with the requirements of the *OIC* (the Italian accounting standards setter) regarding "Greenhouse gas emissions allowances", in addition to being best practice for the principal IAS *adopters*, the accounting treatment is as follows.
The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment is accounted for in the memorandum accounts based on the fair value of the emission allowances at the time of allocation. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Other information", in the Annual Report. The purchase and sale of emission allowances are accounted for in profit or loss in the year in which the transaction occurs. At the end of the year, any surplus emission allowances deriving from purchases are accounted for in closing inventory at the lower of cost and net realisable value. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory. In the event of a shortfall in emission allowances the resulting charge and related liability are accounted for at the end of the year at fair value.

BANCOPOSTA CASH AND DEPOSITS

Cash and securities held at post offices, and bank deposits attributable to the operations of BancoPosta, are accounted for separately from cash and cash equivalents as they derive from deposits subject to investment restrictions, or from advances from the Italian Treasury to ensure that post offices can operate. This cash cannot be used for purposes other than those relating to the aforementioned operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2015 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 awaiting disposal) where the carrying amount is to be recovered primarily through a sale transaction rather than through continued use. Assets held for sale are accounted for at the lower of the net carrying amount and fair value less costs to sell. When a depreciable asset is reclassified to this category, the depreciation process is halted at the date of the reclassification.

(32) The subsidiary, Mistral Air Srl.

EQUITY

Share capital

Share capital is represented by Poste Italiane SpA's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

Reserves

Reserves include capital and revenue reserves. They include, the BancoPosta ring fenced capital reserve (hereafter "BancoPosta RFC"), representing the dedicated assets attributed to BancoPosta BancoPosta RFC, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period.

Retained earnings

This relates to the portion of profit for the period and for previous periods which has not been distributed or taken to reserves or used to cover losses and actuarial gains and losses deriving from the calculation of the liability for employee termination benefits, and, in accordance with IFRS 2 – Share-Based Payments, the effects of the award of bonus shares to employees in connection with the Parent Company's Initial Public Offering in 2015. This item also includes transfers from other equity reserves, when they have been released from the restrictions to which they were subjected.

INSURANCE CONTRACTS

The following policies and classification and measurement criteria refer specifically to the operations of the Poste Italiane Group's insurance companies.
Insurance contracts are classified and measured as insurance contracts or finance contracts, based on their prevalent features. Contracts issued by Poste Vita SpA primarily relate to life assurance. In 2010 Poste Assicura SpA began operating in the non-life sector.
The Group applies the following bases for classification and measurement of these contracts.

Insurance contracts

Insurance products include Class I and V life assurance policies, in addition to index-linked policies that qualify as insurance contracts. These products are accounted for as follows:

- insurance premiums are accounted for when the policies are written, recognised as income and classified in revenue; they include annual or single premiums accruing during the period and deriving from insurance contracts outstanding at the end of the reporting period, net of cancellations;
- technical provisions are made in respect of earned premiums to cover obligations to policyholders; such provisions are calculated on an analytical basis for each contract using the prospective method, based on actuarial assumptions appropriate to cover all outstanding obligations. Changes in technical provisions and the cost of claims are recognised as expenses in profit or loss.

Contracts for separately managed accounts with discretionary participation features

Although classified as financial contracts, contracts for separately managed accounts with discretionary participation features[33] are accounted for in compliance with the requirements of IFRS 4, in accordance with the rules for insurance contracts. As a result:

- premiums, changes in technical provisions and the cost of claims are recognised in the same way as the insurance contracts described above;
- unrealised gains and losses attributable to policyholders are assigned to them and recognised in technical provisions (deferred liabilities payable to policyholders) under the shadow accounting method (IFRS 4.30).

The calculation technique used in applying the shadow accounting method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio. The amount to be recognised as a deferred liability also takes account, for each separately managed account, of the contractual obligations, the level of guaranteed minimum returns and any financial guarantees provided.

Investment contracts not linked to separately managed accounts

Investment contracts (a type of contract not currently present) which are not related to separately managed accounts, and which include a portion of "linked" contracts, are accounted for in accordance with IAS 39, as follows:

- technical provisions are recognised as financial liabilities and are measured at fair value, whilst the related financial instruments are accounted for as assets;
- premiums and changes in technical provisions are not recognised in income, but rather, only fees and commissions are recorded as revenue, and commissions and other charges are recorded as cost. IAS 18 and IAS 39 require revenue and costs associated with the contracts to be allocated over the contract term, based on the service supplied.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur.
Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability.
In those rare cases, in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

(33) A contractual right of investors to receive returns on the assets under management.

Post-employment benefits

Post-employment benefits are of two types: defined benefit plans and defined contribution plans. Since, for defined benefit plans, the amount of benefits payable can only be determined subsequent to the cessation of employment, the related cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19. Under defined contribution plans, contributions payable are recognised in profit or loss when incurred, based on the nominal value.

- Defined benefit plans

  Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code:

  - For all companies with at least 50 employees, covered by the reform of supplementary pension provision, from 1 January 2007 vesting employee termination benefits must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006[34].
  - In the case of companies with less than 50 employees, to which the reform of supplementary pension provision does not apply, vested employee termination benefits continue to represent a defined benefit liability for the company.

  The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries.

  The calculation takes account of termination benefits accrued for the period of service to date and is based on actuarial assumptions. These primarily regard: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in other comprehensive income at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions.

  Defined benefit plans also include supplementary pension plans guaranteeing members and their surviving spouses pensions in addition to those managed by INPS to the extent of and in accordance with the conditions provided for in specific regulations covered by the collective labour contract and legislation. The initial recognition and subsequent measurement of such plans are consistent with the valuation of the TFR described above. Measurement of the liability recognised in the financial statements is based on calculations performed by independent actuaries.

- Defined contribution plans

  Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

Termination benefits

Termination benefits payable to employees are recognised as a liability when the entity decides to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

(34) 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.

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.

SHARE-BASED PAYMENTS

In connection with the Initial Public Offering 2015, the Parent Company allotted two lots of 50 shares each to all Group employees. Buyers of those two lots who hold the shares for twelve months starting from the payment date (27 October 2015) will receive at the end of said period, whether they are still employed or not at the end of the period, a bonus share for every ten held (i.e. one share more than that which will be given to non-employees who hold their shares for twelve months). The bonus share will be assigned directly by the MEF.

In accordance with IFRS 2 – Share-Based Payments, the entity to which the employee belong recognises the transaction by offsetting the increase in share capital with the recognition of a cost, regardless of whether these shares are assigned by it or by its direct or indirect parent. Consequently, given that it is not necessary to be in the Group's employ at the end of the period in question to receive the bonus share, the total cost incurred, determined on the basis of actuarial calculations, was recognised on the subscription date, was not spread over the holding period and will not be recalculated during such period.

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 Administration 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 from financial services. The same classification is applied to income from euro area government securities, in which deposits paid into accounts by private customers are invested. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

GOVERNMENT GRANTS

Government grants are recognised once they have been formally allocated to the Group by the public entity concerned and only if, based on the information available at the end of the year, there is reasonable assurance that the project to which the grant relates will be effectively carried out and completed in accordance with the conditions attached to the grant. Government grants are recognised in profit or loss as other operating income as follows: grants related to income are recognised in proportion to the costs actually incurred for the project and accounted for to the public entity; grants related to property, plant and equipment are recognised in proportion to the depreciation charged on the assets acquired and used to carry out the projects and whose cost have been accounted for to the public entity.

FINANCE INCOME AND COSTS

Finance income and costs are recognised on an accruals basis based on the effective interest method, i.e. using an interest rate that discounts all cash flows relating to a given transaction in the same way.

DIVIDENDS

Dividends are recognised as finance income when the right to receive payment is established, which generally corresponds with approval of the distribution by the Shareholders Meeting of the investee company. Dividends from subsidiaries are accounted for as “Other operating income”.

EARNINGS PER SHARE

In the Poste Italiane Group’s consolidated financial statements, earnings per share is determined as follows:

Basic: basic earnings per share is calculated by dividing the Group’s profit for the year by the weighted average number of Poste Italiane SpA’s ordinary shares in issue during the period.

Diluted: at the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics[35].

RELATED PARTIES

Related parties within the Group refer to Poste Italiane SpA’s direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and those entities, including joint ventures, controlled by the MEF, and associates of such entities. The Group’s key management personnel are also classified as related parties. The state and Public Administration 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.

2.4 USE OF ESTIMATES

Preparation of the annual accounts requires the application of accounting standards and methods that are at times based on complex subjective judgments and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements and related disclosures. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.
This section provides a description of accounting treatments that require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Group’s financial statements.

(35) Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all instruments which can be converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.

REVENUE AND RECEIVABLES DUE FROM THE STATE

The Group has substantial receivables due from the State, though the amount is much lower than in the past. Revenue from activities carried out in favour of or on behalf of the State and Public Administration 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 finance. The legal framework of reference is still subject to change and, as has at times been the case in the past, also in the second half of 2015 circumstances were such that estimates made in relation to previous financial statements, with effects on the statement of profit and loss, had to be changed. The complex process associated with the determination of receivables, which has not been completed yet, may result in changes in the results for the years after that ended 31 December 2015 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

At 31 December 2015, Poste Italiane Group's receivables outstanding with central and local authorities amounted to approximately €1.3 billion (€3.4 billion at 31 December 2014), gross of provisions for doubtful debts. The significant decrease reflects the effects of the review of the main exposures conducted by a joint working group with the MEF – Treasury and General Accounting Department, which ended in August 2015. On 7 August 2015, the MEF committed *"the Ministry to complete all the procedures necessary in order to pay the amounts due in accordance with procedures and timing consistent with the current privatisation process (…), including provision of the necessary funding"* and sent the Parent Company a letter signed by the Director General of the Treasury Department and General Accounting Office referring to the items described below (the "MEF letter"). The table below summarises receivables due from the State:

Receivables *(€m)*		**at 31 December 2015**	**at 31 December 2014**
Universal Service compensation	(i)	334	1,087
Electoral subsidies	(ii)	83	117
Remuneration of current account deposits		15	72
Delegated services		28	28
Distribution of Euroconvertors	(iii)	6	6
Other		3	4
Trade receivables due from the MEF		**469**	**1,314**
Loans and receivables due from the MEF			
for repayment of loans accounted for in liabilities		3	117
Other receivables and assets:			
Amount due under 2015 Stability Law implementing EU Court sentence		–	535
Transactions with shareholders:			
Amount due from MEF following cancellation of EC Decision of 16 July 2008	(iv)	45	42
Total amounts due from the MEF		**517**	**2,008**
Receivables due from Ministries and Public Administration entities: Cabinet Office for publisher tariff subsidies		52	103
Receivables due from Ministries and Public Administration entities: Ministry for Econ. Dev.		72	68
Other trade receivables due from Public Administration entities		557	640
Trade receivables due from Public Administration entities	**(v)**	**681**	**811**
Other receivables and assets:			
Sundry receivables due from Public Administration entities		9	10
Current tax assets	**(vi)**	**59**	**610**
Total amounts due from the MEF and Public Administration entities		**1,266**	**3,439**

With reference to the estimation of the above receivables, considering the applicable regulations and the uncertainty on the collection time, account was taken of the following:

(i) Receivables related to Universal Service compensation at 31 December 2015, amounting to €334 million, gross of provisions for doubtful debt, were determined in accordance with the pre-existing Subsidy Cap mechanism provided for by the *Contratto di Programma* (Service Contract) for 2009-2011. This is applicable thanks to the survival-of-term clause until the coming into force, on 1 January 2016, of the new *Contratto di Programma* (Service Contract) for 2015-2019, whose approval process was completed on 19 February 2016 with the registration by the Court of Auditors. Details of these receivables are as follows:
   - an amount of €198 million for 2015, in relation to which €132 million have already been appropriated in the 2015 state budget, €33 million have been appropriated in the state budget forecast for 2017 while funding for the remaining €33 million is still pending;
   - sums due from previous years for €136 million, in relation to which €64 million has been appropriated in the 2016 state budget, €41 million has been appropriated in the state budget forecast for 2017 while funding for the remaining €31 million is still pending.

   In December 2015, €1,082 million was collected, including €131 million for sums due in 2015 and €951 million for sums due from previous years, in accordance with the abovementioned MEF letter.

(ii) Receivables related to electoral tariff subsidies, totalling €83 million, a sum that was provided for in the 2016 and in previous state budgets, are being reviewed by the European Commission.

(iii) Receivables in the amount of €6 million, for the distribution of Euroconverters and addressed in the MEF letter, for which no provision has been made in the state budget.

(iv) The amount receivable following cancellation of the EC Decision of 16 July 2008 and the interest due as a result of the sentence of the European Court of 30 September 2013, the impact of which on the Parent Company's equity at 31 December 2015 was deferred or adjusted, was addressed in the MEF letter for up to €6 million. However, to date, the relevant sum has not been appropriated in the state budget.

(v) Regarding receivables outstanding with central and local government entities, totalling €681 million, certain items are still overdue, mainly because no provision was made in the relevant budgets or in connection with contracts or agreements. To this end, steps continued to be taken to renew the expired agreements and to make the necessary provisions. In particular, an opinion from the State Attorney's Office is pending with regard to a settlement with the Ministry for Economic Development, totalling €50 million, in relation to a receivable of approximately €72 million.

(vi) In the second half of 2015, overdue receivables in the amount of €546 million were collected, as indicated also in the previously mentioned MEF letter. In addition, interest income for the year in the amount of €4 million was received and additional provisions for doubtful debts were made for €9 million, following recalculations made as a result of payments received from the competent Government departments. No mention was made of the payment of the balance due and, in the absence of further information from the tax authorities, the Parent Company took all the actions necessary to collect such amount. Any elements of uncertainty or risk requiring the Parent Company's recalculation of these items will be reflected in future financial statements.

At 31 December 2015 provisions for doubtful debts reflect receivables for which no provision had been made in the state budget, receivables for which provision has been made only in the state budget forecast for 2017 and other past due sums. The final versions of regulatory provisions, contracts and procedures authorising payment of these items may result in the release of a portion of the provisions made to profit or loss, whilst new provisions and estimates may be rendered necessary.

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 of varying nature, 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.

IMPAIRMENT TESTS AND CASH GENERATING UNITS

Goodwill and other non-current assets are tested for impairment in accordance with the applicable accounting standards. In particular, two cash generating units (CGUs) are identified for the Parent Company – BancoPosta RFC and the remaining Postal and Business Services segment – and goodwill has been allocated to both of these. Each of the other Group companies is considered a separate CGU. Details of goodwill are provided in note 3.3, table A3.2.

The impairment tests at 31 December 2015 were performed on the basis of the five-year business plans for 2015-2019 of the units concerned or the latest available projections. Data from the last year of the plan have been used to project cash flows for subsequent years over an indefinite time, and the resulting value was then discounted using the Discounted Cash Flow (DCF) method. For the determination of value in use, NOPLAT (net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (weighted average cost of capital)[36].

GOODWILL

Goodwill, including goodwill arising on consolidation, is tested annually to assess whether or not it has suffered any impairment to be recognised in profit or loss.

The test involves the allocation of goodwill to the various cash generating units and the subsequent measurement of the related recoverable amount. If the resulting recoverable amount 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.

MEASUREMENT OF OTHER NON-CURRENT ASSETS

The current economic and financial crisis – which has resulted in highly volatile markets and great uncertainty with regard to economic projections – and the decline of the postal market in which the Group operates make it difficult to produce forecasts that can, with certainty, be defined as reliable. In this context, as at 31 December 2015, the Parent Company's Postal and Business Services segment was tested again for impairment. In this respect, reference was made, among other things, to the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's network, as determined in the 2015-2019 business plan approved by the Parent Company's Board of Director on 15 May 2015. The impairment test determined that the related carrying amounts are fair.

In addition, in assessing the value of non-current assets of the Postal and Business service segment, account was taken of any effect on the value in use of certain properties, should such properties no longer be used in operations in future, making adjustments to certain impairment losses taken in the past in the light of new evidence available at 31 December 2015. The fair value of the Parent Company's properties used in operations continued to be significantly higher than their carrying amount. As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated from the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also considered. On this basis, the value in use of the Parent Company's land and buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain critical market conditions, certain properties may have values that are significantly higher than their market value, without this having any impact on the cash flows or results of the Postal and Business Services segment.

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

(36) In the test carried out at 31 December 2015, use was made of an assumed growth rate of 1.34%, while the WACC for each CGU tested for impairment, determined in accordance with best practices, ranged from 6.98% to 7.60%.

conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life. Each year, changes in technology and within the industry and the costs of dismantling tangible assets and their recoverable amounts are reviewed in order to update the residual useful lives of such assets. This periodic update may lead to changes in the depreciation or amortisation period and thus in charges for depreciation or amortisation in the current and in future years.
In the case of assets to be handed over, 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 takes into account the probable residual duration of the right to use the assets to provide public services, to be estimated on the basis of the framework agreements entered into with the Public Administration 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.

PROVISIONS FOR DOUBTFUL DEBTS

The provision for doubtful debts reflects the estimated losses on receivables, which, in the case of receivables due from Public Administration 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 2.5 – Determination of fair value).

TECHNICAL PROVISIONS FOR INSURANCE BUSINESS

The measurement of technical provisions for the insurance business is based on the calculations performed by actuaries employed by Poste Vita SpA; such calculations are then regularly verified by independent external actuaries. In order to verify the adequacy of the provisions, liability adequacy tests (LATs), (which measure the ability of future cash flows from the insurance contracts to cover liabilities towards the policyholders), are periodically performed. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claims expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

EMPLOYEE TERMINATION BENEFITS

The calculation of employee termination benefits is conducted also 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.

2.5 DETERMINATION OF FAIR VALUE

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level[37].

In compliance with IFRS 13 – *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group, these include the following types of financial instruments:

Bonds quoted on active markets:

- **Bonds issued by EU government bodies or Italian or foreign corporate bonds:** measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Bloomberg Composite Price) third;
- **Financial liabilities:** measurement is based on the ask prices quoted by CBBT (*Bloomberg Composite Price*).

Equities and ETFs (Exchange Traded Funds) quoted on active markets: measurement is based on the price resulting from the last trade of the day on the stock exchange of reference.

Quoted investment funds: measurement is based on the daily closing market price as provided by Bloomberg or the fund manager.

Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premiums, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

For the Poste Italiane Group these include the following types of financial instruments:

Bonds either quoted on inactive markets or not at all:

- **Straight Italian and international government and non-government bonds:** valued using discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.

(37) The Group's Fair Value Policy does not set out any techniques or criteria to be followed in determining the fair value of investments in shares of funds, for which NAV per share as determined by the fund managers are available.

- **Structured bonds:** measurement is based on a building blocks approach, where the structured bond is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component – which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk – is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks. In the case of structured bonds used to hedge index-linked policies (before ISVAP regulation no. 32), measurement is based on the bid price provided by the financial counterparties with which buyback agreements have been struck.

Unquoted equities: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

Unquoted investment funds: measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

Derivative financial instruments:

- Interest rate swaps:
  - **Plain vanilla interest rate swaps:** valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.
  - **Interest rate swaps with an embedded option**: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measure using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
- **Warrants:** considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.

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

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Buy & Sell Backs used for the short-term investment of liquidity: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows. Buy and Sell Back agreements may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk.

Fixed rate and variable rate instruments: measurement is based on the discounted cash flow approach. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market.

Financial liabilities either quoted on inactive markets or not at all:

- **Straight bonds:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- **Structured bonds**: measurement is based on a building blocks approach, where the structured product is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component – which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk – is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.
- **Borrowings:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements** used to raise finance, are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty' credit risk.

Investment property (excluding former service accommodation) and inventories of properties held for sale: The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed rate and variable rate instruments: measurement is based on discounted cash flow. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

Unlisted closed-end funds: these include funds that invest mainly in unlisted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (former service accommodation): The value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the tenant or the minimum selling price in case the property is sold through a public auction.

Unlisted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market.

2.6 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS AND THOSE SOON TO BE EFFECTIVE

2.6.1 ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2015

The following are applicable from 1 January 2015:

- **IFRIC 21** – *Levies*, adopted with (EU) Regulation 634/2014, will apply as of 1 January 2015. The interpretation provides guidance on how to account for a liability for a levy imposed by a government, when the liability is to be accounted for in accordance with IAS 37.
- **Annual Improvement Cycle to IFRSs 2011 – 2013** adopted with Regulation (EU) no. 1361/2014 in connection with the annual projects to improve and revise international accounting standards.

2.6.2 ACCOUNTING STANDARDS AND INTERPRETATIONS SOON TO BE EFFECTIVE

The following will take effect on 1 January 2016:

- **IFRS – Annual improvement cycle in relation to IFRS 2010-2012** adopted with Regulation (EU) no. 28/2015 in connection with the annual projects to improve and revise international accounting standards.
- **IAS 19 –** *Employee benefits – Defined Benefit Plans: Employee Contributions* adopted with Regulation (EU) no. 29/2015. The amendment clarifies the application of IAS 19 to defined benefit plans in connection with contributions linked to service by the employee or a third party. These contributions reduce the entity's service cost in providing benefits and, to the extent that they are commensurate with the service provided by the employee in a given period, can be deducted fully from the cost for the period, instead of being allocated over the employee's years of remaining service.
- **IFRS 11 –** *Joint Arrangements* amended by Regulation (EU) no. 2173/2015. The amendment provides that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business it will apply all the principles contained in IFRS 3. This applies to the acquisition of both the initial interest and additional interests. On the other hand, an interest held prior to the coming into effect of the amendment is not remeasured, in the event that the acquisition of an additional interest allows the entity to retain joint control (i.e. the additional interest acquired does not give the entity a controlling interest).
- **IAS 16 –** *Property, Plant and Equipment* and **IAS 38** – *Intangible Assets* amended by Regulation (EU) no. 2231/2015. The amendment clarifies whether it is appropriate to use revenue-based methods to calculate the depreciation or amortisation of an asset (in addition to those permitted by the pre-existing versions of IAS 16 and IAS 38 for tangible and intangible assets, respectively). The amendment defined this method as inappropriate in the case of tangible assets and as appropriate for intangible assets but only if it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendment is founded on the existence of cases where the revenue generated by the activity that includes the use of an asset typically reflects factors that are not directly linked to consumption of the economic benefits embodied in the asset, such as selling activity, a different production process, changes in selling prices.
- **Annual improvement cycle in relation to IFRS 2012 – 2014** adopted with Regulation (EU) no. 2343/2015 in connection with the annual projects to improve and revise international accounting standards.
- **IAS 1 –** *Presentation of Financial Statements* as amended by Regulation (EU) no. 2406/2015. The amendments aim to improve the effectiveness of disclosure and to encourage companies to apply professional judgment in determining the information to be disclosed in their financial statements when applying IAS 1. In particular, the amendments clarify the guidelines contained in IAS 1 on the materiality, the aggregation of items, the presentation of subtotals, the structure of the financial statements and the disclosure on the accounting policies adopted. Amendments concern also the information required for the section on the other components of other comprehensive income. Specifically, the share of other comprehensive income pertaining to associates and joint ventures accounted for with the equity method, indicating which of those amounts will or will not be recycled subsequently to profit and loss.
- **IAS 27 –** *Separate Financial Statements* amended by Regulation (EU) no. 2441/2015. Regarding entities that prepare separate financial statements, the amendment permits such entities to adopt the equity method to account for investments in subsidiaries, associates and joint ventures. This option is in addition to those permitted by the pre-existing version of IAS 27 (cost method and in accordance with IAS 39).

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

- IFRS 9 – *Financial Instruments*;
- IFRS 14 – *Regulatory Deferral Accounts*;
- IFRS 15 – *Revenue from Contracts with Customers*;
- IFRS 16 – *Leases;*
- Amendments to IFRS 10, IFRS 12 e IAS 28 – Investment Entities – Applying the Exception to Consolidation;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate/Joint Venture;
- Amendments to IAS 12 on the Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7 on the information to be provided on cash flows from financing activities.

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed.

3

Poste Italiane Group

for the year ended

31 December 2015

Summary

POSTE ITALIANE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2015

3.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

ASSETS *(€m)*	**Note**	**2015**	*of which, related party transactions (note 3.5)*	**2014**	*of which, related party transactions (note 3.5)*
Non-current assets					
Property, plant and equipment	[A1]	2,190	–	2,296	–
Investment property	[A2]	61	–	67	–
Intangible assets	[A3]	545	–	529	–
Investments accounted for using the equity method	[A4]	214	*214*	1	*1*
Financial assets	[A5]	139,310	*3,988*	121,678	*2,305*
Trade receivables	[A7]	54	–	59	–
Deferred tax assets	[C13]	623	–	702	–
Other receivables and assets	[A8]	2,361	*1*	2,011	*1*
Total		**145,358**		**127,343**	
Current assets					
Inventories	[A6]	134	–	139	–
Trade receivables	[A7]	2,292	*904*	3,702	*2,245*
Current tax assets	[C13]	72	–	659	–
Other receivables and assets	[A8]	897	*2*	1,529	*536*
Financial assets	[A5]	20,780	*7,274*	21,011	*6,807*
Cash and deposits attributable to BancoPosta	[A9]	3,161	–	2,873	–
Cash and cash equivalents	[A10]	3,142	*391*	1,704	*934*
Total		**30,478**		**31,617**	
TOTAL ASSETS		**175,836**		**158,960**	

LIABILITIES AND EQUITY *(€m)*	Note	2015	*of which, related party transactions (note 3.5)*	2014	*of which, related party transactions (note 3.5)*
Equity					
Share capital	[B1]	1,306	–	1,306	–
Reserves	[B4]	4,047	–	3,160	–
Retained earnings		4,305	–	3,952	–
Equity attributable to owners of the Parent		**9,658**		**8,418**	
Equity attributable to non-controlling interests		–	–	–	–
Total		**9,658**		**8,418**	
Non-current liabilities					
Technical provisions for insurance business	[B5]	100,314	–	87,220	–
Provisions for risks and charges	[B6]	634	*50*	601	*52*
Employee termination benefits and pension plans	[B7]	1,361	–	1,478	–
Financial liabilities	[B8]	7,598	*77*	5,782	*96*
Deferred tax liabilities	[C13]	1,177	–	1,047	–
Other liabilities	[B10]	920	–	763	–
Total		**112,004**		**96,891**	
Current liabilities					
Provisions for risks and charges	[B6]	763	*11*	733	*12*
Trade payables	[B9]	1,453	*174*	1,422	*174*
Current tax liabilities	[C13]	53	–	24	–
Other liabilities	[B10]	2,025	*91*	1,895	*82*
Financial liabilities	[B8]	49,880	*3*	49,577	*414*
Total		**54,174**		**53,651**	
TOTAL EQUITY AND LIABILITIES		**175,836**		**158,960**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER

(€m)	Note	2015	*of which, related party transactions (note 3.5)*	2014	*of which, related party transactions (note 3.5)*
Revenue from sales and services	[C1]	8,810	*2,390*	9,150	*2,513*
Insurance premium revenue	[C2]	18,197	–	15,472	–
Other income from financial and insurance activities	[C3]	3,657	*104*	3,772	*148*
Other operating income	[C4]	75	*6*	118	*7*
Total revenue		**30,739**		**28,512**	
Cost of goods and services	[C5]	2,590	*173*	2,648	*169*
Net change in technical provisions for insurance business and other claims expenses	[C6]	19,683	–	17,883	–
Other expenses from financial and insurance activities	[C7]	689	–	76	–
Personnel expenses	[C8]	6,151	*40*	6,229	*40*
of which, non-recurring costs/(income)		*(11)*		*–*	
Depreciation, amortisation and impairments	[C9]	581	–	671	–
of which, non-recurring costs/(income)		*12*		*–*	
Capitalised costs and expenses	[C10]	(33)	–	(30)	–
Other operating costs	[C11]	198	*(46)*	344	*68*
Operating profit/(loss)		**880**		**691**	
Finance costs	[C12]	108	*1*	191	*5*
of which, non-recurring costs		*–*	–	*75*	–
Finance income	[C12]	158	*3*	198	*5*
of which, non-recurring income		*4*		*11*	
Profit/(Loss) on investments accounted for using the equity method	[A4]	3		(1)	–
Profit/(Loss) before tax		**933**		**697**	
Income tax expense	[C13]	381	–	485	–
of which, non-recurring costs/(income)		*16*		*–*	
PROFIT FOR THE YEAR		**552**		**212**	
of which, attributable to owners of the Parent		*552*		*212*	
of which, attributable to non-controlling interests		*–*		*–*	
Earnings per share	**[B3]**	**0.423**		**0.162**	
Diluted earnings per share	**[B3]**	**0.423**		**0.162**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(€m)	Note	2015	2014
Profit/(Loss) for the year		**552**	**212**
Items to be reclassified in the Statement of profit or loss for the year			
Available-for-sale financial assets			
Increase/(decrease) in fair value during the year	[tab. B4]	1,591	1,966
Transfers to profit or loss	[tab. B4]	(467)	(289)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	13	144
Transfers to profit or loss	[tab. B4]	(71)	(46)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(179)	(566)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		–	–
Items not to be reclassified in the Statement of profit or loss for the year			
Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	[tab. B7]	81	(177)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		(30)	48
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		–	–
Total other components of comprehensive income		**938**	**1,080**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,490**	**1,292**
of which, attributable to owners of the Parent		*1,490*	*1,292*
of which, attributable to non-controlling interests		–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)	Equity									
	Share capital	Reserves					Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
		Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method				
Balance at 1 January 2014	**1,306**	**299**	**1,000**	**670**	**(18)**	**–**	**3,859**	**7,116**	**–**	**7,116**
Total comprehensive income for the year	–	–	–	1,143	66	–	83	1,292	–	1,292
Attribution of profit to reserves	–	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(500)	(500)	–	(500)
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–
Other shareholder transactions	–	–	–	–	–	–	510	510	–	510
Balance at 31 December 2014	**1,306**	**299**	**1,000**	**1,813**	**48**	**–**	**3,952**	**8,418**	**–**	**8,418**
Total comprehensive income for the year	–	–	–	926	(39)	–	603(*)	1,490	–	1,490
Attribution of profit to reserves	–	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(250)	(250)	–	(250)
Changes due to share-based payments	–	–	–	–	–	–	1	1	–	1
Other changes	–	–	–	–	–	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–
Other shareholder transactions(**)	–	–	–	–	–	–	(1)	(1)	–	(1)
Balance at 31 December 2015	**1,306**	**299**	**1,000**	**2,739**	**9**	**–**	**4,305**	**9,658**	**–**	**9,658**

(*) This item includes profit for the year of €552 million, actuarial gains on provisions for employee termination benefits for €81 million after tax expense and deferred tax assets of €30 million.

(**) Transactions with shareholders are described in para. B2.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(€m)	Note	2015	2014
Cash and cash equivalents at beginning of year		**1,704**	**1,445**
Profit/(Loss) before tax		933	697
Depreciation, amortisation and impairments	[tab. C9]	569	671
Impairment of goodwill/goodwill arising from consolidation	[tab. A3]	12	–
Net provisions for risks and charges	[tab. B6]	454	412
Use of provisions for risks and charges	[tab. B6]	(392)	(245)
Provisions for employee termination benefits	[tab. B7]	1	1
Employee termination benefits and pensions paid	[tab. B7]	(66)	(78)
(Gains)/Losses on disposals	[tab. C11]	–	2
Impairment on available-for-sale financial assets	[tab. A5.9]	–	75
(Dividends)	[tab. C12.1]	(1)	–
Dividends received		1	–
(Finance income realised)	[tab. C12.1]	(23)	(53)
(Finance income in form of interest)	[tab. C12.1]	(127)	(142)
Interest received		123	111
Interest expense and other finance costs	[tab. C12.2]	101	110
Interest paid		(72)	(33)
Losses and impairments/(Recoveries) on receivables	[tab. C11]	(42)	91
Income tax paid	[tab. C13.3]	(275)	(521)
Other changes		(4)	–
Cash flow generated by operating activities before movements in working capital	[a]	1,192	1,098
Movements in working capital:			
(Increase)/decrease in Inventories	[tab. A6]	5	7
(Increase)/decrease in Trade receivables		1,444	(114)
(Increase)/decrease in Other receivables and assets		(115)	(256)
Increase/(decrease) in Trade payables		31	(95)
Increase/(decrease) in Other liabilities		129	38
Current tax assets recovered		546	–
Cash flow generated by /(used in) movements in working capital	[b]	2,040	(420)
Increase/(decrease) in liabilities attributable to financial activities		3,127	1,174
Net cash generated by/(used for) financial assets attributable to financial activities held for trading		1	–
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities		(2,484)	(1,100)
Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities		1,404	1,332
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A9]	(288)	207
(Increase)/decrease in other assets attributable to financial activities		(1,683)	(1,073)
(Income)/Expenses and other non-cash components from financial activities		(919)	(922)
Cash generated by/(used for) assets and liabilities attributable to financial activities	[c]	(842)	(382)

(€m)	Note	2015	2014
Payment of liabilities linked to financial contracts attributable to insurance activities	[tab. B8]	–	–
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities		(6,236)	(1,151)
Increase/(decrease) in net technical provisions for insurance business		12,353	12,608
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities	[tab. A5.5]	(4,907)	(9,835)
(Increase)/decrease in other assets attributable to insurance activities		(43)	(12)
(Gains)/Losses on financial assets/liabilities measured at fair value		290	(711)
(Income)/Expenses and other non-cash components from insurance activities		(1,284)	(1,274)
Cash generated by/(used for) assets and liabilities attributable to insurance activities	[d]	173	(375)
Net cash flow from /(for) operating activities	**[e]=[a+b+c+d]**	**2,563**	**(79)**
- of which related party transactions		*1,221*	*(1,346)*
Investing activities:			
Property, plant and equipment	[tab. A1]	(237)	(218)
Investment property	[tab. A2]	–	(1)
Intangible assets	[tab. A3]	(251)	(218)
Investments		(211)	–
Other financial assets		–	(100)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		4	9
Investments		–	5
Other financial assets		4	162
Change in scope of consolidation		2	15
Net cash flow from /(for) investing activities	**[f]**	**(689)**	**(346)**
- of which related party transactions		*(1,725)*	*5*
Proceeds from/(Repayments of) long-term borrowings		–	744
(Increase)/decrease in loans and receivables		114	109
Increase/(decrease) in short-term borrowings		(835)	331
Dividends paid	[B2]	(250)	(500)
Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court		535	–
Net cash flow from/(for) financing activities and shareholder transactions	**[g]**	**(436)**	**684**
- of which related party transactions		***(139)***	***(506)***
Net increase/(decrease) in cash	**[h]=[e+f+g]**	**1,438**	**259**
Cash and cash equivalents at end of year	**[tab. A10]**	**3,142**	**1,704**

Cash and cash equivalents at end of year	**[tab. A10]**	**3,142**	**1,704**
Cash subject to investment restrictions		(1)	(511)
Cash attributable to technical provisions for insurance business		(1,324)	(415)
Amounts that cannot be drawn on due to court rulings		(18)	(16)
Current account overdrafts		(5)	(8)
Cash resulting from cash on delivery payments		(11)	(7)
Unrestricted net cash and cash equivalents at end of year		**1,783**	**747**

3.2 BASIS OF CONSOLIDATION

The Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control from the date on which control is obtained until the date on which control is no longer held by the Group. The Group controls an entity when it simultaneously:

- has power over the investee;
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is exercised both via direct or indirect ownership of voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly based on legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.
The consolidated financial statements have been specifically prepared at 31 December 2015, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.
Subsidiaries that, in terms of their size or operations, are, either individually or taken together, irrelevant to a true and fair view of the Group's results of operations and financial position have not been included within the scope of consolidation.
The criteria used for line-by-line consolidation are as follows:

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounting for using the acquisition method. The cost of acquisition is based on the fair values of the assets given, the liabilities incurred and the equity instruments issued by the acquirer, plus any directly attributable acquisition costs incurred. Any difference between the cost of acquisition and the fair values of the assets and liabilities acquired, following review of their fair value, is recognised as goodwill arising from consolidation (if positive), or recognised in profit or loss (if negative);
- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

Investments in subsidiaries that are not significant and are not consolidated, and those in companies over which the Group exerts significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter "associates", are accounted for using the equity method.

An investment in an associate or a joint venture is accounted for using the equity method. Any difference between the cost of acquisition of the investment and the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- goodwill related to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of such goodwill is not permitted;
- any excess of the entity's interest in the net fair value of investee's identifiable assets and liabilities over cost is recognised as income in determining the acquirer's interest in the profit (loss) for the period of the associate or joint venture in the period in which the interest is acquired.

Appropriate adjustments to the entity's share of the profits or losses after acquisition are made to account for additional depreciation or amortisation of the investee's depreciable or amortisable assets based on the excess of their fair values over their carrying amounts at the time the investment was acquired. Similarly, appropriate adjustments are made to the entity's share of profits or losses after acquisition to account for impairment losses, for example, of goodwill or property, plant and equipment.

The equity method is as follows:

- the Group's share of an entity's post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company's losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group's interest in the associate; unrealised losses, unless relating to impairment, are eliminated.

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

Subsidiaries	At 31 December 2015	At 31 December 2014
Consolidated on a line-by-line basis	19	20
Recognised with the equity method	3	5
Total companies	**22**	**25**

As a part of broader rationalisation of the structure of the Poste Italiane Group, the following transactions involving companies under the direct or indirect control of the Parent Company were carried out in 2015:

- On 4 February 2015 and 6 February 2015, the boards of directors of Postel SpA and PostelPrint SpA approved the merger of PostelPrint SpA with and into Postel SpA. The merger deed was signed on 27 April 2015 and entered in the Companies Register on 28 April 2015. The merger was legally effective as of 30 April 2015 and effective for accounting and tax purposes from 1 January 2015.
- The general meetings of the shareholders of SDA Express Courier SpA and Italia Logistica Srl, held on 12 March 2015 and 13 March 2015, respectively, voted in favour of the merger of Italia Logistica Srl with and into SDA Express Courier SpA by approving the related plan. Both merger deeds were filed with the Companies' Register on 16 March 2015 and the final merger deed was executed by the companies on 26 May 2015. The merger is effective for accounting and tax purposes from 1 June 2015.
- On 6 August 2015, the plan whereby Poste Energia SpA would be merged with and into Europa Gestioni Immobiliari SpA was entered in the Rome Companies Register. In keeping with the plan, on 6 October 2015, Poste Italiane SpA transferred its 100% interest in Poste Energia SpA to Europa Gestioni Immobiliari SpA. The merger took effect for legal, accounting and tax purposes from 31 December 2015.
- The liquidations of the Brazilian company, Poste Holding Participações do Brasil LTDA (established in August 2013, with 76% of share capital subscribed by Poste Italiane SpA and 24% by PosteMobile SpA) and its subsidiary, Italo-Brasil Holding SA, were completed and both companies were wound up on 25 September 2015.

Moreover:

- Following the decision taken by the Board of Directors on 15 April 2015, on 25 June 2015 the Parent Company completed the acquisition of a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) for a total consideration of €210,468 thousand, based on a price of €6.80 per share. This is broadly in line with the average market price of the investee's shares on the Milan Stock Exchange during the month prior to the agreement, executed on 14 April 2015. The agreement will also result in Poste Italiane's inclusion in the shareholders' agreement that BMPS has previously entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the investee. In view of the strategic importance of the transaction and the significant influence acquired through the shareholders' agreement, the investee has been classified as an associate. Anima Holding SpA provides strategic guidance and coordination for the group of the same name, one of Italy's leading asset managers.

  The table below shows a comparison between the consideration paid for Anima Holding SpA and the net assets acquired, with the €134.6 million representing goodwill incorporated in the carrying amount of the investment.

Anima Holding SpA	*(€m)*
Net assets purchased before the acquisition (pro rata)	**75.9**
Fair value adjustments:	
– Property, plant and equipment	–
– Intangible assets	–
– Deferred tax liabilities	–
Net assets acquired after the allocation (pro rata)	**75.9**
Consideration	**210.5**
Goodwill	**134.6**

- Lastly, on 4 November 2015 Poste Vita SpA completed the acquisition of a 100% interest in S.D.S. System Data Software Srl, which in turn owns a 100% interest in S.D.S. Nuova Sanità Srl. SDS System Data Software operates in the IT sector and, through SDS Nova Sanità, designs, develops, maintains and sells software products to private health funds. At 31 December 2015, both companies were consolidated on a line-by-line basis.

  The table below shows a comparison between the consideration paid for the two companies and the net assets acquired. In particular, out of the difference of €19.6 million, €2.5 million was allocated to the fair value of the technology platform (intangible assets on the books of the acquiree at an amount of €1.2 million) and the remaining €17.8 million to goodwill.

SDS System Data Software Srl and SDS Nuova Sanita Srl	*(€m)*
Net assets purchased before the acquisition	**1.3**
Fair value adjustments:	
– Property, plant and equipment	–
– Intangible assets	2.5
– Deferred tax liabilities	(0.7)
Net assets acquired after the allocation	**3.1**
Consideration	**20.9**
Goodwill	**17.8**

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 2015:

TAB. A1 – MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

(€m)	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 1 January 2014								
Cost	75	2,793	2,178	318	375	1,569	52	7,360
Accumulated depreciation	–	(1,325)	(1,718)	(277)	(175)	(1,293)	–	(4,788)
Accumulated impairment	–	(57)	(23)	(1)	–	(1)	–	(82)
Carrying amount	**75**	**1,411**	**437**	**40**	**200**	**275**	**52**	**2,490**
Movements during the year								
Additions	1	34	43	5	22	79	34	218
Adjustments	–	–	–	–	–	–	–	–
Reclassifications	–	15	15	–	5	7	(43)	(1)
Disposals	–	–	–	–	(2)	–	–	(2)
Change in scope of consolidation	–	–	–	–	–	–	–	–
Depreciation	–	(106)	(110)	(11)	(29)	(106)	–	(362)
(Impairments)/Reversal of impairments	–	(39)	4	–	(12)	–	–	(47)
Total movements	**1**	**(96)**	**(48)**	**(6)**	**(16)**	**(20)**	**(9)**	**(194)**
Balance at 31 December 2014								
Cost	76	2,840	2,200	323	398	1,639	43	7,519
Accumulated depreciation	–	(1,429)	(1,792)	(288)	(202)	(1,383)	–	(5,094)
Accumulated impairment	–	(96)	(19)	(1)	(12)	(1)	–	(129)
Carrying amount	**76**	**1,315**	**389**	**34**	**184**	**255**	**43**	**2,296**
Movements during the year								
Additions	–	35	36	6	23	91	46	237
Adjustments (1)	–	–	–	–	–	–	–	–
Reclassifications (2)	–	11	8	–	6	12	(37)	–
Disposals (3)	–	–	–	–	(2)	–	–	(2)
Change in scope of consolidation (4)	–	–	–	–	–	–	–	–
Depreciation	–	(108)	(98)	(10)	(29)	(108)	–	(353)
(Impairments)/Reversal of impairments	–	8	(3)	–	7	–	–	12
Total movements	**–**	**(54)**	**(57)**	**(4)**	**5**	**(5)**	**9**	**(106)**

(€m)	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 31 December 2015								
Cost	76	2,883	2,209	329	424	1,719	52	7,692
Accumulated depreciation	–	(1,534)	(1,855)	(298)	(230)	(1,468)	–	(5,385)
Accumulated impairment	–	(88)	(22)	(1)	(5)	(1)	–	(117)
Carrying amount	**76**	**1,261**	**332**	**30**	**189**	**250**	**52**	**2,190**
Adjustments (1)								
Cost	–	–	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–	–	–
Accumulated impairment	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassifications (2)								
Cost	–	8	7	–	10	12	(37)	–
Accumulated depreciation	–	3	1	–	(4)	–	–	–
Accumulated impairment	–	–	–	–	–	–	–	–
Total	**–**	**11**	**8**	**–**	**6**	**12**	**(37)**	**–**
Disposals (3)								
Cost	–	–	(34)	–	(7)	(24)	–	(65)
Accumulated depreciation	–	–	34	–	5	24	–	63
Accumulated Impairment	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Change in scope of consolidation (4)								
Cost	–	–	–	–	–	1	–	1
Accumulated depreciation	–	–	–	–	–	(1)	–	(1)
Accumulated impairment	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

At 31 December 2015, 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 €84 million.

Capital expenditure of €237 million in 2015, including €7 million in capitalised costs for self-constructed assets, consists of:

- €35 million relating to extraordinary maintenance of post offices and local head offices around the country (€25 million) and mail sorting offices (€8 million);
- €36 million thousand relating to plant, with the most significant expenditure made by the Parent Company, of which €25 million for plant and equipment related to buildings and €6 million for the installation and extraordinary maintenance of video surveillance systems;
- €23 million to upgrade plant and the structure of properties held under lease;
- €91 million relating to Other assets, of which €72 million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems and €6 million for the purchase of furniture and fittings in connection with the new layouts for post offices;
- €46 million relating to assets under construction, of which €37 million incurred by the Parent Company in relation to the purchase of hardware and other technological equipment not included yet in the production process, restyling of post offices, and €7 million incurred by PosteMobile SpA for the purchase of hardware for the landline telecommunication system, hardware for the mobile network and videoconference systems.

Reversals of impairment losses are due to changes in estimates relating to buildings (property used in operations) and leased commercial buildings (leasehold improvements) held by the Parent Company, and reflect prudent consideration of the effects on the relevant values in use that might arise as a result of reduced utilisation or future removal from the production cycle (note 2.4 – *Use of estimates*).

Reclassifications from assets under construction, totalling €37 million, relate primarily to the acquisition cost of assets that became available and ready for use during the year. In particular, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

The following table shows a breakdown by category of property, plant and equipment held under finance leases, showing the carrying amounts at 31 December 2015:

TAB. A1.1 – PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASES

Item (€m)	At 31 December 2015			At 31 December 2014		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Buildings	17	(7)	10	17	(6)	11
Other assets	–	–	–	–	–	–
Total	**17**	**(7)**	**10**	**17**	**(6)**	**11**

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 2015:

TAB. A2 – MOVEMENTS IN INVESTMENT PROPERTY

(€m)	**2015**	**2014**
Balance at 1 January		
Cost	147	146
Accumulated depreciation	(79)	(75)
Accumulated impairment	(1)	(2)
Carrying amount	**67**	**69**
Movements during the year		
Additions	–	1
Reclassifications (1)	–	3
Disposals (2)	(1)	(1)
Depreciation	(5)	(5)
(Impairments)/Reversal of impairments	–	–
Total movements	**(6)**	**(2)**
Balance at 31 December		
Cost	144	147
Accumulated depreciation	(82)	(79)
Accumulated impairment	(1)	(1)
Carrying amount	**61**	**67**
Fair value at 31 December	113	116

Reclassifications (1)		
Cost	–	2
Accumulated depreciation	–	–
Accumulated impairment	–	1
Total	**–**	**3**
Disposals (2)		
Cost	(3)	(2)
Accumulated depreciation	2	1
Accumulated impairment	–	–
Total	**(1)**	**(1)**

The fair value of investment property at 31 December 2015 includes approximately €67 million 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[38].

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.

(38) 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 2015:

TAB. A3 – MOVEMENTS IN INTANGIBLE ASSETS

(€m)	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Balance at 1 January 2014					
Cost	1,966	182	104	83	2,335
Accumulated amortisation and impairments	(1,629)	–	(57)	(72)	(1,758)
Carrying amount	**337**	**182**	**47**	**11**	**577**
Movements during the year					
Additions	150	57	–	11	218
Reclassifications	150	(158)	–	6	(2)
Transfers and disposals	–	(7)	–	–	(7)
Change in scope of consolidation	–	–	–	–	–
Amortisation and impairments	(248)	–	–	(9)	(257)
Total movements	**52**	**(108)**	**–**	**8**	**(48)**
Balance at 31 December 2014					
Cost	2,263	74	104	100	2,541
Accumulated amortisation and impairments	(1,874)	–	(57)	(81)	(2,012)
Carrying amount	**389**	**74**	**47**	**19**	**529**
Movements during the year					
Additions	155	72	18	6	251
Reclassifications (1)	63	(68)	–	5	–
Transfers and disposals (2)	–	–	–	(1)	(1)
Change in scope of consolidation (3)	1	–	–	–	1
Amortisation and impairments	(212)	–	(12)	(11)	(235)
Total movements	**7**	**4**	**6**	**(1)**	**16**
Balance at 31 December 2015					
Cost	2,477	78	122	110	2,787
Accumulated amortisation and impairments	(2,081)	–	(69)	(92)	(2,242)
Carrying amount	**396**	**78**	**53**	**18**	**545**
Reclassifications (1)					
Cost	63	(68)	–	5	–
Accumulated amortisation and impairments	–	–	–	–	–
Total	**63**	**(68)**	**–**	**5**	**–**
Transfers and disposals (2)					
Cost	(6)	–	–	(1)	(7)
Accumulated amortisation and impairments	6	–	–	–	6
Total	**–**	**–**	**–**	**(1)**	**(1)**
Change in scope of consolidation (3)					
Cost	2	–	–	–	2
Accumulated amortisation and impairments	(1)	–	–	–	(1)
Total	**1**	**–**	**–**	**–**	**1**

Investment in "Intangible assets" during 2015 amounts to €251 million, of which €26 million relates to internally developed software. Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

Purchases of **industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights** total €155 million, 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 table below shows amounts for the IT platform used in development of the Full MVNO (Mobile Virtual Network Operator) project and held under lease finance arrangements by PosteMobile SpA. The platform is amortised over 10 years.

TAB. A3.1 – INTANGIBLE ASSETS HELD UNDER FINANCE LEASES

Item (€m)	At 31 December 2015			At 31 December 2014		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	16	(2)	14	16	(1)	15
Total	**16**	**(2)**	**14**	**16**	**(1)**	**15**

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 (€19 million), for BancoPosta services (€19 million), for the postal products platform (€10 million) and for use in providing support to the sales network (€5 million).The balance includes PosteMobile SpA's software developments not yet in operation and purchase of software licences for its fixed and mobile networks (€10 million).

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 €63 million, reflecting the completion and commissioning of software and the upgrade of existing software.

As of 31 December 2015 goodwill consisted of:

TAB. A3.2 – GOODWILL

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Postel SpA	33	45
BdM – MCC SpA	2	2
SDS System Data Software Srl	18	–
Total	**53**	**47**

Goodwill has been tested for impairment in accordance with the relevant accounting standards. Based on the information available and the impairment tests conducted, it was necessary to recognise impairment losses in the amount of €12 million for Postel SpA's goodwill[39].

The recoverable amount of the CGU Postel, which is equal to the value in use of the company and determined on the basis of the latest forecast data available, was lower than the capital invested in the company (including the relevant goodwill) for approximately €12 million. Value in use was determined by using a WACC of 7% (5.70% at 31 December 2014) and a 1.34% growth rate (1% at 31 December 2014).

(39) Postel SpA is a CGU allocated to the Postal and Business Services segment.

A4 – Investments accounted for using the equity method

TAB. A4 – INVESTMENTS

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Investments in subsidiaries	1	1
Investments in joint ventures	–	–
Investments in associates	213	–
Total	**214**	**1**

The main change in this item concerned the acquisition of the interest in Anima Holding for €210,468 thousand (including goodwill of €134.6 million) on 25 June 2015. Subsequently, the carrying amount of this investment was increased by approximately €2.8 million, of which €2.5 million relating to the results achieved by this associate between 30 June and 30 September 2015 (latest available data) and €0.3 million due to other changes in equity occurring in the same period.

Furthermore, on 14 December 2015 Poste Italiane SpA exercised the exit option provided for by article 9 of the Articles of Association of Telma-Sapienza Scarl. Therefore, effective 15 December 2015, this consortium is no longer an associate and the relevant carrying amount of €0.49 million has been reclassified among available-for-sale assets.

On 23 June 2015, Postecom SpA entered into a master cooperation agreement with Conio Inc. for the research, development and production of innovative, high technology-value products/services relating to electronic payment solutions and their distribution/sale in Italy and abroad. The same agreement included Conio Inc.'s irrevocable offer to sell 20% of its share capital to Postecom SpA, which was executed on 16 February 2016.

A list of subsidiaries, joint ventures and associates accounted for using the equity method is provided in note 3.8, together with key data.

A5 – Financial assets

The following table provides a breakdown of financial assets at 31 December 2015:

TAB. A5 – FINANCIAL ASSETS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	1,303	9,205	10,508	1,189	7,708	8,897
Held-to-maturity financial assets	11,402	1,484	12,886	12,698	1,402	14,100
Available-for-sale financial assets	109,699	8,170	117,869	96,674	10,473	107,147
Financial assets at fair value through profit or loss	16,233	1,899	18,132	10,749	1,406	12,155
Derivative financial instruments	673	22	695	368	22	390
Total	**139,310**	**20,780**	**160,090**	**121,678**	**21,011**	**142,689**

FINANCIAL ASSETS BY OPERATING SEGMENT

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
FINANCIAL SERVICES	**45,338**	**11,716**	**57,054**	**40,969**	**11,484**	**52,453**
Loans and receivables	1,217	9,084	10,301	1,104	7,514	8,618
Held-to-maturity financial assets	11,402	1,484	12,886	12,698	1,402	14,100
Available-for-sale financial assets	32,291	1,126	33,417	27,007	2,546	29,553
Derivative financial instruments	428	22	450	160	22	182
INSURANCE SERVICES	**93,419**	**8,895**	**102,314**	**80,055**	**9,344**	**89,399**
Loans and receivables	–	66	66	–	23	23
Available-for-sale financial assets	76,941	6,930	83,871	69,098	7,915	77,013
Financial assets at fair value through profit or loss	16,233	1,899	18,132	10,749	1,406	12,155
Derivative financial instruments	245	–	245	208	–	208
POSTAL AND BUSINESS SERVICES	**553**	**169**	**722**	**654**	**183**	**837**
Loans and receivables	86	55	141	85	171	256
Available-for-sale financial assets	467	114	581	569	12	581
Derivative financial instruments	–	–	–	–	–	–
Total	**139,310**	**20,780**	**160,090**	**121,678**	**21,011**	**142,689**

Financial assets by operating segment break down as follows:

- Financial Services, relate primarily to the financial assets of BancoPosta RFC[40], 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.

(40) The operations in question regard the financial services provided by the Parent Company pursuant to Presidential Decree 144/2001, which from 2 May 2011 are attributable to the ring-fenced capital, and which relate to the management of postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions on the investment of the liquidity in compliance with the applicable legislation, and the management of collections and payments on behalf of third parties. Private customer deposits can only be used to purchase euro zone government securities (due to the changes introduced by article 1, paragraph 1097 of Law no. 296 of 27 December 2006 and by article 1 paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), BancoPosta RFC can invest up to 50% of assets under management in Italian government securities). Conversely, funds deposited by Public Administration entities are placed with the Ministry of the Economy and Finances at a variable rate of interest linked to a basket of government securities and money market indices, in accordance with a specific agreement with the MEF regarding treasury services. Collection and payment services on behalf of third parties include the collection of postal savings (Postal Savings Books and Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Administration entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, within two bank working days of the transaction date.

FINANCIAL SERVICES

Loans and receivables

TAB. A5.1 – LOANS AND RECEIVABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	1,217	689	1,906	1,104	183	1,287
Receivables	–	8,395	8,395	–	7,331	7,331
Amounts deposited with MEF	–	5,855	5,855	–	5,467	5,467
MEF account, held at the Treasury	–	1,331	1,331	–	663	663
Other financial receivables	–	1,209	1,209	–	1,201	1,201
Total	**1,217**	**9,084**	**10,301**	**1,104**	**7,514**	**8,618**

At 31 December 2015, **loans** amounting to €1,906 million, relate to €1,489 million in loans and financing provided to companies and, to a lesser extent, to individuals by BdM-MCC SpA and €417 million (a notional amount of €400 million) in buy & sell back transactions involving government securities entered into by BancoPosta RFC relating to the short-term investment of liquidity. The fair value[41] of the loans provided by BdM-MCC SpA is €1,659 million. The carrying amount of the remaining loans and receivables approximates to their fair value.

The loans provided by BdM-MCC SpA have been posted as collateral for a total amount of €686 million. In particular:

- €614 million, together with part of the available-for-sale portfolio (tab A.5.2.1), were given as collateral for a short-term loan by the Bank of Italy within the scope of the open-market operations launched by the ECB;
- €72 million for a loan provided by Cassa Depositi e Prestiti.

Receivables amount to €8,395 million reflect:

- **Amounts deposited with the MEF**, totalling €5,855 million, including public customers' current account deposits of BancoPosta RFC, which earn a variable rate of return, calculated on a basket of government bonds [42];
- The balance of the Parent Company's **MEF account**, held at the **Treasury**, amounting to €1,331 million, consisting of:

TAB. A5.1.1 – MEF ACCOUNT, HELD AT THE TREASURY

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Balance of cash flows for advances	–	1,693	1,693	–	905	905
Balance of cash flows from management of postal savings	–	(170)	(170)	–	(49)	(49)
Amounts payable due to theft	–	(158)	(158)	–	(159)	(159)
Amounts payable for operational risks	–	(34)	(34)	–	(34)	(34)
Total	**–**	**1,331**	**1,331**	**–**	**663**	**663**

(41) 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.

(42) The rate in question is calculated as follows: 50% is based on the return on 6 month BOTs, with the remaining 50% based on the monthly average Rendistato index. The latter represents the average yield on government securities with maturity greater than 2 years, which approximates the return on 7-year BTPs.

The *balance of cash flows for advances*, amounting to €1,693 million, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

TAB. A5.1.1 A) – BALANCE OF CASH FLOWS FOR ADVANCES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	–	1,694	1,694	–	918	918
MEF postal current accounts and other payables	–	(672)	(672)	–	(673)	(673)
Ministry of Justice – Orders for payment	–	(1)	(1)	–	(12)	(12)
MEF – State pensions	–	672	672	–	672	672
Total	**–**	**1,693**	**1,693**	**–**	**905**	**905**

The balance in question is much higher than that at 31 December 2014, mainly due to the new pension payment dates for civil servants, whereby the greater amount paid by INPS, and recognised as customers' deposits, reflects a greater amount receivable from the State Treasury.

The *balance of cash flows from the management of postal savings*, amounting to a negative €170 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2015 consists of €215 million payable to Cassa Depositi e Prestiti, less €45 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from post offices regard the Parent Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud, totalling €158 million. 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

(€m)	Note	2015	2014
Balance at 1 January		**159**	**158**
Amounts payable for thefts during the period	[tab. C11]	6	6
Repayments made		(7)	(5)
Balance at 31 December		**158**	**159**

During 2015, Poste Italiane SpA made repayments to the Italian Treasury for thefts that took place up to 31 December 2014, amounting to €3 million, and in the first half of 2015, totalling €3 million, as well as following rulings by the Court of Auditors on thefts suffered until 31 December 1993, amounting to €1 million.

Amounts payable for operational risks (€34 million) regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

- **Other financial receivables** of €1,209 million break down as follows:

TAB. A5.1.2 – OTHER FINANCIAL RECEIVABLES

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Guarantee deposits	864	892
Items to be debited to customers	233	205
Items awaiting settlement with the banking system	106	90
Other receivables	6	14
Total	**1,209**	**1,201**

Guarantee deposits, totalling €864 million relate to €857 million provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes) and €7 million provided to counterparties in repurchase agreements (with collateral contemplated by specific a *Global Master Repurchase Agreements*).

Other amounts to be charged to customers, amounting to €233 million, primarily regard: withdrawals from BancoPosta ATMs, the use of debit cards issued by BancoPosta, cheques and other collection items settled in the clearing house.

Investments in securities and equity instruments

The following table shows a breakdown of investments in securities and equity instruments:

TAB. A5.2 – INVESTMENTS IN SECURITIES AND EQUITY INSTRUMENTS

Item *(€m)*	Note	Balance at 31 December 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Held-to-maturity financial assets		11,402	1,484	12,886	12,698	1,402	14,100
Fixed-income instruments	[tab. A5.2.1]	11,402	1,484	12,886	12,698	1,402	14,100
Available-for-sale financial assets		32,291	1,126	33,417	27,007	2,546	29,553
Fixed-income instruments	[tab. A5.2.1]	32,220	1,015	33,235	26,951	2,546	29,497
Equity instruments		71	111	182	56	–	56
Total		**43,693**	**2,610**	**46,303**	**39,705**	**3,948**	**43,653**

Investments in securities relate to investments in Italian government securities with a nominal value of €39,832 million, held primarily by BancoPosta RFC[43] and to a lesser extent by BdM-MCC SpA and BancoPosta Fondi SpA SGR.

(43) The composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes is based on an appropriate statistical model developed for Poste Italiane SpA by a leading market operator. An Asset & Liability Management system has been developed to manage the relationship between customer deposits and investments.

Movements in investments in securities in 2014 and 2015 are as follows:

TAB. A5.2.1 – MOVEMENTS IN INVESTMENTS IN SECURITIES

Securities (€m)	HTM		AFS		FVPL		TOTAL	
	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 1 January 2014	**14,914**	**15,222**	**23,263**	**24,845**	**–**	**–**	**38,177**	**40,067**
Purchases		103		8,064		543		8,710
Transfers to equity		–		(243)		–		(243)
Change in amortised cost		3		(6)		–		(3)
Changes in fair value through equity		–		1,775		–		1,775
Changes in fair value through profit or loss		–		1,328		–		1,328
Changes in cash flow hedge transactions		–		13		–		13
Effect of sales on profit or loss		–		392		–		392
Accrued income		207		293		–		500
Sales, redemptions and settlement of accrued income		(1,435)		(6,964)		(543)		(8,942)
Balance at 31 December 2014	**13,808**	**14,100**	**24,622**	**29,497**	**–**	**–**	**38,430**	**43,597**
Purchases		–		11,237		5,862		17,099
Transfers to equity		–		(395)		–		(395)
Change in amortised cost		3		(20)		–		(17)
Changes in fair value through equity		–		1,412		–		1,412
Changes in fair value through profit or loss		–		(432)		–		(432)
Changes in cash flow hedge transactions		–		–		–		–
Effect of sales on profit or loss		–		385		1		386
Accrued income		187		304		–		491
Sales, redemptions and settlement of accrued income		(1,404)		(8,753)		(5,863)		(16,020)
Balance at 31 December 2015	**12,612**	**12,886**	**27,220**	**33,235**	**–**	**–**	**39,832**	**46,121**

At 31 December 2015, the fair value[44] of the held-to-maturity portfolio, accounted for at amortised cost, is €15,057 million (including €187 million in accrued interest).

Securities with a nominal value of €4,993 million are encumbered as follows:

- €4,072 million used as collateral for repurchase agreements;
- €345 million used as collateral for asset swaps;
- €576 million delivered to the Bank of Italy as collateral for intraday credit extended to the Parent Company and to secure SEPA Direct Debit operations.

The fair value of the available-for-sale portfolio is €33,235 million (including €304 million in accrued interest). The overall fair value gain for the period of €980 million has been recognised in the relevant equity reserve for the positive amount of €1,412 million, in relation to the portion of the portfolio not hedged by fair value hedges, and through profit and loss, in relation to the loss of €432 million related to the hedged portion.

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

On 31 December 2015, the Parent Company subscribed to two fixed-rate bonds, in the amount of €750 million each, with six-monthly interest payments and maturing in 4 and 5 years, issued by Cassa Depositi e Prestiti and guaranteed by the Italian government.

Securities with a nominal value of €1,064 million are encumbered as follows:

- €497 million was provided by BancoPosta RFC in relation to repurchase agreements;
- €563 million was provided as collateral in relation to refinancing operations by BdM-MCC with the ECB;
- €2 million was provided as collateral for commitments related to the BdM-MCC SpA's internal pension fund;
- €2 million was provided for the participation of BdM-MCC SpA in tenders in the area of low-interest loans.

Investments in equity instruments are attributable to BancoPosta RFC and primarily include:

- €111 million, relating to the fair value of an ordinary share in Visa Europe Ltd, previously allocated to Poste Italiane SpA at the time of the company's incorporation and, at that time, accounted for at a nominal value of €10.00. At 31 December 2015, the fair value of the investment has been adjusted to take into account the likely impact of the acquisition and merger of Visa Europe Ltd with the US-registered company, Visa Incorporated. As announced on 21 December 2015, Visa Europe has informed its Principal Members that each of them will be paid a consideration and, at that date, the amount due to Poste Italiane at transaction closing, expected by the end of June 2016 – subject to clearance from the relevant authorities – was estimated by the investee to be €111 million, including €83 million in cash and €28 million in Visa Inc. stock (Convertible Participating Preferred Stock) convertible into class A shares within 12 years of the closing;
- €68 million, reflecting the fair value of 756,280 Class B shares of Mastercard Incorporated. These shares are not traded on an organised exchange but are convertible into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired;
- €3 million, reflecting the *fair value* of 11,144 class C shares of Visa *Incorporated*. These shares are not traded on an organised exchange but are convertible into an equal number of Class A shares, which are listed on the New York Stock Exchange, if disposal is desired.

Fair value gains of €126 million have been recognised in the relevant equity reserve (section B4).

Derivative financial instruments

At 31 December 2015, derivative financial instruments attributable to the Financial Services segment, amounting to €450 million, include €328 million attributable to BancoPosta RFC and €122 million 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

(€m)	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value
Balance at 1 January 2014	**–**	**–**	**2,225**	**(72)**	**3,900**	**(367)**	**–**	**–**	**–**	**–**	**6,125**	**(439)**
Increases/(decreases)(*)	225	13	–	132	3,575	(1,338)	400	–	–	–	4,200	(1,193)
Gains/(Losses) through profit or loss(**)	–	–	–	–	–	(1)	–	–	–	–	–	(1)
Transactions settled(***)	(225)	(13)	(525)	(59)	(180)	34	(400)	–	–	–	(1,330)	(38)
Balance at 31 December 2014	**–**	**–**	**1,700**	**1**	**7,295**	**(1,672)**	**–**	**–**	**–**	**–**	**8,995**	**(1,671)**
Increases/(decreases)(*)	–	–	–	12	4,780	404	108	4	2,700	2	7,588	422
Gains/(Losses) through profit or loss(**)	–	–	–	–	–	–	–	–	–	–	–	–
Transactions settled(***)	–	–	–	(39)	(320)	75	(108)	(4)	(2,700)	(2)	(3,128)	30
Balance at 31 December 2015	**–**	**–**	**1,700**	**(26)**	**11,755**	**(1,193)**	**–**	**–**	**–**	**–**	**13,455**	**(1,219)**
Of which:												
Derivative assets	*–*	*–*	*375*	*47*	*3,635*	*281*	*–*	*–*	*–*	*–*	*4,010*	*328*
Derivative liabilities	*–*	*–*	*1,325*	*(73)*	*8,120*	*(1,474)*	*–*	*–*	*–*	*–*	*9,445*	*(1,547)*

(*) Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

(**) Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial and insurance activities.

(***) Transactions settled include forward transactions settled, accrued differentials and the settlement of asset swaps linked to securities sold.

During the year under review, the effective portion of interest rate hedging instruments recorded an overall fair value gain of €12 million 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 €404 million, whilst the hedged securities (tab. A5.2.1) recorded a fair value loss of €432 million, with the difference of €28 million due to paid or accruing differentials.

In the year under review, the Parent Company carried out the following transactions:

- entered into new asset swaps used as fair value hedges with a notional value of €4,780 million;
- settled asset swaps used as fair value hedges for securities sold, with a nominal value of €320 million.

Regarding derivative instruments recognised at fair value through profit or loss, the Parent Company entered into new contracts with a total notional amount of €108 million, to generate a fixed return, for 2015, on the public customers' current account deposits deposited with the MEF, the majority shareholder, which earn a variable rate of return (tab. A5.1).

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

TAB. A5.4 – MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	2015				2014			
	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	**–**	**133**	**–**	**133**	**–**	**86**	**–**	**86**
Increases/(decreases)	–	–	–	–	–	56	–	56
Gains/(Losses) through profit or loss	–	–	–	–	–	–	–	–
Transactions settled	–	(11)	–	(11)	–	(9)	–	(9)
Balance at 31 December	**–**	**122**	**–**	**122**	**–**	**133**	**–**	**133**
Of which:								
Derivative assets	–	*122*	–	*122*	–	*133*	–	*133*
Derivative liabilities	–	–	–	–	–	–	–	–

The positive fair value of €122 million for derivatives designated as fair value hedges refers to the value of four interest rate swap contracts used to hedge bonds issued by BdM-MCC SpA (tab. B8), with a nominal value of €357 million.

INSURANCE SERVICES

Receivables

Receivables of €66 million 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

(€m)	Fixed-income instruments		Other investments	Equity instruments	Total
	Nominal value	Fair value	Fair value	Fair value	Fair value
Balance at 1 January 2014	**57,906**	**57,617**	**1,536**	**7**	**59,160**
Purchases		21,780	76	5	21,861
Transfers to equity		(173)	14	1	(158)
Changes in amortised cost		276	–	–	276
Fair value gains and losses through equity		6,868	(5)	–	6,863
Effects of sales on profit or loss		349	(15)	(1)	333
Accrued income		704	–	–	704
Sales, redemptions and settlement of accrued income		(11,909)	(114)	(3)	(12,026)
Balance at 31 December 2014	**68,685**	**75,512**	**1,492**	**9**	**77,013**
Purchases		24,823	180	11	25,014
Transfers to equity		(371)	–	–	(371)
Changes in amortised cost		227	–	–	227
Fair value gains and losses through equity		1,092	(7)	(1)	1,084
Effects of sales on profit or loss		328	–	1	329
Accrued income		682	–	–	682
Sales, redemptions and settlement of accrued income		(20,046)	(49)	(12)	(20,107)
Balance at 31 December 2015	**74,172**	**82,247**	**1,616**	**8**	**83,871**

The Group recorded fair value gains of €1,084 million in relation to its available-for-sale financial assets, as follows:

- net gains of €1,082 million deriving from the measurement of securities held by Poste Vita SpA, of which €1,035 million 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 €2 million.

The above changes in the fair value of available-for-sale financial assets during 2015 had a net positive impact on the relevant equity reserve of €49 million (tab. B4).

Fixed-income instruments relate primarily to investments held by Poste Vita SpA, totalling €82,107 million (nominal value of €74,042 million) issued by European governments and European blue-chip companies. These instruments are mainly intended to cover separately managed accounts where, under the shadow method of accounting applied. These fixed income instruments comprise bonds issued by CDP SpA, with a fair value of €1,431 million (a nominal value of €1,247 million).

The remaining balance is represented by the fair value of fixed income instruments, totalling €140 million, held by Poste Assicura SpA.

Other investments relate to units of mutual investment funds, totalling €1,616 million, of which €1,172 million consists of equity funds and €385 million of bond funds subscribed to entirely by Poste Vita SpA and allocated to the insurance company's separately managed accounts. The remaining balance is represented by the fair value of units of property funds, totalling €59 million.

Equity instruments relate to the investments held by Poste Vita SpA, totalling €8 million, associated with Class 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

(€m)	Fixed-income instruments		Structured bonds		Other investments	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2014	**7,106**	**6,560**	**2,574**	**2,984**	**730**	**10,274**
Purchases		1,027		–	1,815	2,842
Fair value gains and losses through profit or loss		491		173	21	685
Accrued income		19		–	–	19
Effects of sales on profit or loss		11		14	1	26
Sales/Settlement of accrued income		(739)		(803)	(149)	(1,691)
Balance at 31 December 2014	**7,404**	**7,369**	**1,965**	**2,368**	**2,418**	**12,155**
Purchases		816		–	7,394	8,210
Fair value gains and losses through profit or loss		65		22	(392)	(305)
Accrued income		26		–	–	26
Effects of sales on profit or loss		(6)		21	–	15
Sales/Settlement of accrued income		(711)		(1,065)	(193)	(1,969)
Balance at 31 December 2015	**7,542**	**7,559**	**1,155**	**1,346**	**9,227**	**18,132**

These financial instruments are held by the subsidiary, Poste Vita SpA, and relate to:

- **Fixed income securities**, amounting to €7,559 million and consisting of €5,665 million in coupon stripped BTPs acquired to cover the contractual obligations arising on Class III insurance policies, while the balance of €1,894 million is primarily made up of corporate bonds issued by blue-chip companies and primarily linked to separately managed accounts.
- **Structured bonds**, amounting to €1,346 million and relating to investments whose returns are linked to particular market indices, primarily designed to cover the insurance obligations to the holders of Class III index-linked policies; such financial instruments include bonds issued by CDP SpA with a fair value of €569 million (nominal amount of €500 million) associated with Class I policies.
- **Other investments**, amounting to €9,227 million and relating to units of mutual investment funds. These instruments include €4,733 million invested in the *Blackrock Diversified Distribution Fund*, a UCITS, and €3,873 million invested (in 2015) in *Multiflex* – Global Fund – PIMCO Multiasset with the aim of diversifying the insurance business's exposure to government bonds and, in the meantime, to secure consistent returns for policyholders (see also note 3.7 on "Unconsolidated structured entities"). Investments in the amount of €8,606 million are used to cover Class I products while the rest relates to Class III unit-linked products.

Derivative financial instruments

At 31 December 2015, outstanding instruments primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies with a fair value of €245 million and a notional amount of €5,558 million.

Details of the Group's warrants are as follows.

TAB. A5.7 – WARRANTS

Policy (€m)	At 31 December 2015		At 31 December 2014	
	Nominal value	Fair value	Nominal value	Fair value
Alba	712	18	730	16
Terra	1,355	35	1,375	29
Quarzo	1,254	36	1,277	30
Titanium	656	36	672	29
Arco	174	30	178	26
Prisma	175	25	179	22
6Speciale	200	–	200	–
6Aavanti	200	–	200	–
6Sereno	181	15	185	14
Primula	184	15	187	13
Top5	233	15	237	13
Top5 edizione II	234	20	238	16
Total	**5,558**	**245**	**5,658**	**208**

POSTAL AND BUSINESS SERVICES

Loans and receivables

These amount to €141 million and consist of **loans** of €78 million and **receivables** of €63 million.

Loans include €78 million (nominal amount €75 million) in Contingent Convertible Notes[45], subscribed on 23 December 2014 by Poste Italiane SpA, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI SpA[46]. The Notes were issued by Midco SpA, which in turn owns 51% of Alitalia SAI. The Contingent Convertible Notes, with a twenty-year term to maturity starting 1 January 2015, carry a nominal rate of interest of 7% per annum. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. Based on the latest available business plan of the Alitalia Group, a reasonable estimate of the effective interest rate payable on the Notes amounts to approximately 4.6%.

(45) This is a loan convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument pursuant to art. 2346 of the Italian Civil Code, carrying the same rights associated with the loan.

(46) This is the so-called "Nuova Alitalia", the company to which all the aviation assets and activities of Alitalia Compagnia Aerea Italiana SpA, now CAI SpA, have been transferred. The company owns 100% of Midco SpA.

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

TAB. A5.8 – RECEIVABLES

(€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from MEF for repayment of loans accounted for in liabilities	–	3	3	1	116	117
Guarantee deposits	–	52	52	–	54	54
Due from the purchasers of service accommodation	8	–	8	9	–	9
Due from others	–	–	–	–	–	–
Provisions for doubtful debts	–	–	–	–	–	–
Total	**8**	**55**	**63**	**10**	**170**	**180**

The **amount due from the MEF**, expressed at the amortised cost[47], refers to the repayment of loans provided in the past by Cassa Depositi e Prestiti to the former Postal and Telecommunications Administration. At 31 December 2015, the fair value[48] of the receivable, which is expected to be collected by 2016, is €3 million.

During 2015 the Parent Company collected receivables with a nominal value of €114 million and recognised interest income for the year, as calculated on the present value of the receivables. The difference of €2 million between the nominal value of the receivable of €3 million and the nominal value of the payable of €1 million, corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2015 and not yet repaid by the MEF.

Guarantee deposits of €52 million relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

(47) 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.

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

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

(€m)	Fixed-income instruments		Other investments		Equity instruments	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2014	**650**	**676**	**5**	**5**	**80**	**761**
Purchases		–		–	–	–
Redemptions		(150)		–	–	(150)
Transfers to equity reserves		–		–	–	–
Changes in amortised cost		(2)		–	–	(2)
Impairments		–		–	(75)	(75)
Fair value gains and losses through equity		22		1	–	23
Fair value gains and losses through profit or loss		26		–	–	26
Effects of sales on profit or loss		–		–	–	–
Accrued income		6		–	–	6
Sales and settlement of accrued income		(8)		–	–	(8)
Balance at 31 December 2014	**500**	**570**	**5**	**6**	**5**	**581**
Purchases		–		–	–	–
Redemptions		–		–	–	–
Transfers to equity reserves		–		–	–	–
Changes in amortised cost		1		–	–	1
Impairments		–		–	–	–
Fair value gains and losses through equity		4		–	–	4
Fair value gains and losses through profit or loss		(5)		–	–	(5)
Effects of sales on profit or loss		–		–	–	–
Accrued income		6		–	–	6
Sales and settlement of accrued income		(6)		–	–	(6)
Balance at 31 December 2015	**500**	**570**	**5**	**6**	**5**	**581**

Fixed-income instruments regard BTPs with a total nominal value of €500 million (fair value of €570 million). Of these, instruments with a value of €375 million have been hedged using asset swaps designated as fair value hedges. Instruments with a nominal value of €450 million 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 €6 million.

Equity instruments primarily reflects the investment in CAI SpA (formerly Alitalia CAI SpA), which was acquired for €75 million in 2013 and written off, the historical cost of approximately €4.5 million for the 15% equity interest in Innovazione e Progetti ScpA, which is in liquidation, unchanged from last year.

Derivative financial instruments

Movements in derivative assets and liabilities are as follows:

TAB. A5.10 – MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	2015				2014			
	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	**–**	**(52)**	**(7)**	**(59)**	**–**	**(26)**	**–**	**(26)**
Increases/(decreases)(*)	1	(4)	1	(2)	–	(34)	(7)	(41)
Hedge completion	(6)	–	6	–	–	–	–	–
Gains/(Losses) through profit or loss(**)	–	–	–	–	–	–	–	–
Transactions settled(***)	–	9	–	9	–	8	–	8
Balance at 31 December	**(5)**	**(47)**	**–**	**(52)**	**–**	**(52)**	**(7)**	**(59)**
Of which:								
Derivative assets	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Derivative liabilities	*(5)*	*(47)*	*–*	*(52)*	*–*	*(52)*	*(7)*	*(59)*

(*) Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

(**) Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial and insurance activities.

(***) Transactions settled include forward transactions settled, accrued differentials and the settlement of asset swaps linked to securities sold.

At 31 December 2015, the derivative financial instruments held by the Parent Company, with fair value losses of €52 million, 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 B.8). The cash flow hedge of this derivative set in as of 25 October 2015, when the bond began to pay a variable interest rate. For this reason, the remaining negative change in fair value for €6 million was reclassified among cash flow hedging instruments while the positive change in fair value (for €1 million), which took place between the date of execution of the hedge and financial year-end, was recognised through equity, in the cash flow hedge reserve. With this transaction, the Parent Company took on the obligation to pay a fixed rate of 4.035%.

A6 – Inventories

At 31 December 2015, net inventories break down as follows:

TAB. A6 – INVENTORIES

Item (€m)	Balance at 31 December 2014	Increase / (decrease)	Balance at 31 December 2015
Properties held for sale	113	1	114
Work in progress, semi-finished and finished goods and goods for resale	14	(2)	12
Raw, ancillary and consumable materials	12	(4)	8
Total	**139**	**(5)**	**134**

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[49] at 31 December 2015 amounts to approximately €310 million.

(49) 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 *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	54	1,968	2,022	59	2,551	2,610
MEF	–	322	322	–	1,149	1,149
Subsidiaries, associates and Joint ventures	–	2	2	–	2	2
Prepayments to suppliers	–	–	–	–	–	–
Total	**54**	**2,292**	**2,346**	**59**	**3,702**	**3,761**

Receivables due from customers

TAB. A7.1 – RECEIVABLES DUE FROM CUSTOMERS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	49	632	681	58	753	811
Cassa Depositi e Prestiti	–	397	397	–	901	901
Unfranked mail delivered and other value added services	27	322	349	21	350	371
Overseas counterparties	–	236	236	–	194	194
Parcel express courier and express parcel services	–	227	227	–	193	193
Overdrawn current accounts	–	138	138	–	134	134
Amounts due for other BancoPosta services	–	109	109	–	79	79
Property management	–	7	7	–	7	7
Other trade receivables	1	379	380	–	390	390
Provisions for doubtful debts	(23)	(479)	(502)	(20)	(450)	(470)
Total	**54**	**1,968**	**2,022**	**59**	**2,551**	**2,610**

Specifically:

- Amounts due from **ministries and Public Administration entities** refer mainly to the following services:
  - Integrated Notification and mailroom services, amounting to €246 million, rendered to local government authorities (€92 million), Agencies and other central public entities (€78 million) and Ministries and related local offices (€76 million).
  - Unfranked mail services provided on credit, totalling €81 million, to Ministries and local offices (€38 million), Agencies and other central government entities (€24 million) as well as local government authorities (€19 million).
  - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the *Ministero dello Sviluppo Economico* (Ministry for Economic Development), totalling €70 million, of which €3 million for services rendered during the year.
  - Pension and other employment related services on behalf of INPS (the National Institute of Social Security), totalling €61 million.

- *Presidenza del Consiglio dei Ministri – Dipartimento dell'Editoria* (Cabinet Office – Publishing department), totalling €52 million, relating to publisher tariff subsidies for the financial years from 2001 to 2010.
- Receivables arising from public grant management services refer to fees for services rendered to Government Authorities by Banca del Mezzogiorno – Mediocredito Centrale, for a total of €61 million.

- Amounts due from **Cassa Depositi e Prestiti** refer to fees and commissions for BancoPosta's deposit-taking activities during the year. This amount, which fell from the comparable sum at 31 December 2014, reflects the new terms and conditions laid down in the Agreement dated 4 December 2014 whereby billing takes place quarterly instead of every six months.
- 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** relate to postal services carried out by the Parent Company for overseas postal operators.
- Receivables for **parcel, express courier and express parcel services** refer to services provided by SDA Express Courier SpA, and to the mailing of parcels by the Parent Company.
- Receivables for **overdrawn current accounts** are amounts due to BancoPosta for temporarily overdrawn current accounts largely due to recurring BancoPosta bank charges, including accumulated sums, which have largely been written down, that BancoPosta is in the process of recovering.
- **Amounts due for other BancoPosta services** refer to amounts due on financial services, personal loans, overdrafts and mortgages sold on behalf of third parties, totalling €81 million.
- **Other trade receivables** include mainly: €71 million related to PosteMobile Spa for sales of terminals, services rendered to other operators and for the sale of top-ups through other channels; €29 million related to *Posta Target* services; €27 million for *Posta Time* services; €23 million for Advice and Billing Mail services; €22 million for air transportation services provided by Mistral Air Srl; €19 million related to Notification of Legal Process service and €17 million for telegraphic services.

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

TAB. A7.2 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS

Item *(€m)*	Balance at 1 January 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014	Net provisions	Deferred revenue	Uses	Change in scope of consolidation	Balance at 31 December 2015
Overseas postal operators	8	(3)	–	–	5	(1)	–	–	–	4
Public Administration entities	141	(10)	3	–	134	(5)	3	–	–	132
Private customers	284	40	–	(10)	314	27	–	(7)	–	334
	433	**27**	**3**	**(10)**	**453**	**21**	**3**	**(7)**	**–**	**470**
Interest on late payments	17	8	–	(8)	17	17	–	(2)	–	32
Total	**450**	**35**	**3**	**(18)**	**470**	**38**	**3**	**(9)**	**–**	**502**

Provisions for doubtful debts relating to Public Administration entities regard amounts that may be partially unrecoverable as a result of legislation restricting government spending, delays in payment and problems at debtor entities. During 2015, part of these provisions was released to income following collection of originally doubtful receivables.

Provisions for doubtful debts relating to private customers include the amount set aside attributable to BancoPosta's operations, mainly to cover numerous individually immaterial amounts due from overdrawn current account holders.

Receivables due from the MEF

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

TAB. A7.3 – RECEIVABLES DUE FROM THE MEF

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Universal Service compensation	334	1,087
Publisher tariff and electoral subsidies	83	117
Remuneration of current account deposits	15	72
Payment for delegated services	28	28
Distribution of euro converters	6	6
Other	3	5
Provision for doubtful debts due from the MEF	(147)	(166)
Total	**322**	**1,149**

Specifically:

- **Universal Service compensation** includes:

TAB. A7.3.1 – UNIVERSAL SERVICE COMPENSATION RECEIVABLE

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
2015	198	–
Remaining balance for 2014	55	336
Remaining balance for 2013	–	343
Remaining balance for 2012	23	350
Remaining balance for 2011	50	50
Remaining balance for 2005	8	8
Total	**334**	**1,087**

As described in note 2.4 above, receivables relating to Universal Service compensation at 31 December 2015 were determined in keeping with the existing subsidy cap mechanism foreseen by the *Contratto di Programma* (Service Contract) for 2009-2011 which, in accordance with the survival–of-term provision, remains in force until 1 January 2016, the date of entry into force of the new Service Contract for 2015-2019, which was approved on 19 February 2016 with its registration with the Court of Auditors. To this end:

– Regarding the balance outstanding of the compensation for 2015, provisions of €132 million have been made in the state budget for 2015 and €33 million in the state budget forecast for 2017, while no funds have been earmarked for the remaining €33 million.

– Regarding the balance outstanding of the 2014 compensation, provision of €14 million has been made in the state budget for 2016, while provision of €41 million has been made in the state budget forecast for 2017.

– Regarding the outstanding balance of compensation for 2013, which was collected in full in 2015, with resolution 493/14/CONS of 9 October 2014, AGCom has initiated an assessment of the net cost incurred by the Company. On 24 July 2015, the Authority notified the Company that it will extend the assessment also to financial year 2014.

– With reference to the services rendered in 2012, AGCom recognised a net cost incurred by the Company of €327 million, compared to compensation of €350 million calculated by the Company, which was collected in December 2015. Provision has not been made in the state budget for the remaining €23 million. The Parent Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

– With reference to services rendered in 2011, AGCom recognised a sum of €381 million, compared to the €357 million calculated originally by the Parent Company. Provision of €50 million has been made in the state budget for 2016.
– The outstanding receivable relating to compensation for 2005 was subject to final cuts by the budget laws of 2007 and 2008.

  According to the new Service Contract, starting in 2016, the Parent Company will receive Universal Service compensation on a monthly basis.

- Receivables arising from **electoral subsidies** refer to compensation for previous years.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2015 and largely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.

Payments for **delegated services** relate to fees accrued solely in the year under review for treasury services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, which was renewed on 11 June 2014 for the three-year period 2014-2016.

At 31 December 2015, 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 2.4 – Use of estimates). 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

(€m)	Balance at 1 January 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2015
Provisions for doubtful debts	50	57	59	–	166	(68)	49	–	147

Provisions for doubtful debts due from the MEF reflect the lack of funding and/or the uncertainty related to medium/long-term forecasts for the state budget, which make it difficult to collect certain receivables recognised on the basis of laws, contracts and agreements in force at the time of recognition. The release of provisions for €68 million in 2015 was due to new funding in the state budget. Similarly, the amount of deferred revenue relates, for about €67 million, to compensation for which no provision has been made in the state budget or for which provision is expected only in the medium term, minus €17 million for which provision has been made.

A8 – Other receivables and assets

This item breaks down as follows:

TAB. A8 – OTHER RECEIVABLES AND ASSETS

Item (€m)	Note	Balance at 31 December 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		2,147	520	2,667	1,785	567	2,352
Receivables relating to fixed-term contract settlements		144	95	239	161	98	259
Amounts due from social security agencies and pension funds (excl. fixed-term contract settlements)		–	77	77	–	81	81
Amounts restricted by court rulings		–	68	68	–	81	81
Technical provisions attributable to reinsurers		58	–	58	54	–	54
Accrued income and prepaid expenses from trading transactions		–	16	16	1	16	17
Tax assets		–	6	6	–	13	13
Sundry receivables		12	127	139	10	125	135
Provisions for doubtful debts due from others		–	(59)	(59)	–	(57)	(57)
Other receivables and assets		**2,361**	**850**	**3,211**	**2,011**	**924**	**2,935**
Receivable authorised by the 2015 Stability Law in implementation of the sentence of the European Court	[B2]	–	–	–	–	535	535
Interest accrued on IRES refund	[C12.1]	–	47	47	–	70	70
Total		**2,361**	**897**	**3,258**	**2,011**	**1,529**	**3,540**

Specifically:

- **substitute tax paid** refers mainly to:
  - €1,372 million paid in advance by Poste Vita SpA for the financial years 2010-2015, relating to withholding and substitute tax paid on capital gains on life policies(50);
  - €775 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 31 December 2015(51). This amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
  - €290 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2016 and charged to customers;
  - €163 million relating to stamp duty charged to Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law;
  - €23 million to advances paid in relation to withholding tax on interest earned by current account holders for 2015, which is to be recovered from customers.
- Amounts due from staff under **fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013 and 30 July 2015 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 €239 million from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2040.

(50) Of the total amount, €385 million, assessed on the basis of provisions at 31 December 2015, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).

(51) Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

- Amounts that **cannot be drawn on due to court rulings** include €55 million in amounts seized and not assigned to creditors, in the process of recovery, and €13 million in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed.

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

TAB. A8.1 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS DUE FROM OTHERS

Item (€m)	Balance at 1 January 2014	Net provisions	Uses	Balance at 31 December 2014	Net provisions	Uses	Balance at 31 December 2015
Public Administration entities for sundry services	13	–	–	13	–	–	13
Receivables relating to fixed-term contract settlements	6	–	–	6	1	–	7
Other receivables	34	6	(2)	38	3	(2)	39
Total	**53**	**6**	**(2)**	**57**	**4**	**(2)**	**59**

As described in note B2, the receivable due from the MEF, totalling €535 million, authorised by the 2015 Stability Law (Law 190/2014), implementing the decision of the General Court of the European Union of 13 September 2013, was collected on 13 May 2015.

A9 – Cash and deposits attributable to BancoPosta

Details of this item are as follows:

TAB. A9 – CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Cash and cash equivalents in hand	2,943	2,750
Cheques	–	1
Bank deposits	218	122
Total	**3,161**	**2,873**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€866 million) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€2,077 million). 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 €216 million.

A10 – Cash and cash equivalents

TAB. A10 – CASH AND CASH EQUIVALENTS

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Bank deposits and amounts held at the Italian Treasury	2,741	760
Deposits with the MEF	391	934
Cash and cash equivalents in hand	10	10
Total	**3,142**	**1,704**

Bank deposits and amounts held at the Italian Treasury include €1,082 million deposited by the MEF in a non-interest bearing current account at the Italian Treasury on 15 October 2015 and released on 29 December 2015, following the decision of the European Commission on the compatibility of the Service Contract 2015-2019 with EU rules on state aid. Moreover, bank deposits and amounts held at the Italian Treasury include €11 million whose use is restricted by court orders related to different disputes.

EQUITY

B1 – Share capital

The share capital of Poste Italiane SpA of 1,306,110,000 no-par value ordinary shares, of which the Ministry of the Economy and Finances holds 64.7%, while the remaining shares are held by institutional and retail investors.
At 31 December 2015 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

(€m)	Equity at 31 December 2015	Changes in equity during 2015	Profit/ (loss) for 2015	Equity at 31 December 2014	Changes in equity during 2014	Profit/ (loss) for year 2014	Equity at 1 January 2014
Financial Statements of Poste Italiane SpA	**7,646**	**690**	**451**	**6,505**	**1,018**	**57**	**5,430**
– Undistributed profit (loss) of consolidated companies	2,311	–	424	1,887	–	377	1,510
– Investments accounted for using the equity method	3	–	3	–	–	(1)	1
– Balance of FV and CFH reserves of investee companies	198	(4)	–	202	76	–	126
– Actuarial gains and losses on employee termination benefits of investee companies	(4)	2	–	(6)	(4)	(1)	(1)
– Fees to be amortised attributable to Poste Vita SpA and Poste	(39)	–	(5)	(34)	–	(5)	(29)
– Effects of contributions and transfers of business units between Group companies							
SDA Express Courier SpA	2	–	–	2	–	–	2
EGI SpA	(71)	–	(6)	(65)	–	(3)	(62)
Postel SpA	17	–	–	17	–	1	16
PosteShop SpA	1	–	–	1	–	–	1
– Effects of intercompany transactions (including dividends)	(638)	–	(392)	(246)	–	(235)	(11)
– Elimination of adjustments to value of consolidated companies	363	–	84	279	–	29	250
– Amortisation until1 January 2004/Impairment of goodwill	(139)	–	(12)	(127)	–	–	(127)
– Effects of tax consolidation arrangement	–	–	–	–	–	–	–
– Other consolidation adjustments	8	–	5	3	–	(7)	10
Equity attributable to owners of the Parent	**9,658**	**688**	**552**	**8,418**	**1,090**	**212**	**7,116**
– Non-controlling interests	–	–	–	–	–	–	–
(excluding profit/(loss)							
– Non-controlling interests in profit/loss	–	–	–	–	–	–	–
Non-controlling interests in equity	–	–	–	–	–	–	–
TOTAL CONSOLIDATED EQUITY	**9,658**	**688**	**552**	**8,418**	**1,090**	**212**	**7,116**

B2 – Shareholder transactions

As resolved at the General Meeting of shareholders held on 28 April 2015, on 28 May 2015 Poste Italiane SpA paid dividends totalling €250 million, based on a dividend per share of €0.19.

The other shareholder transactions, as shown in the statement of changes in equity, concern the tax effects resulting from the partial return of €535 million (€510 million, net of the tax effects on the interest portion) – as recognised in 2014 and contemplated by article 1, paragraph 281 of Law 190/2014, i.e. the 2015 Stability Law(52) – 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 on State Aid(53). According to Company calculations, the sums due until 13 May 2015, inclusive of interest, amounted to €580 million(54). As the 2016 Stability Law has introduced a reduction in the corporate income tax (IRES) rate from 2017, the tax effects of the payment were accounted for in 2015.

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 2015 or at 31 December 2014.

(52) Pursuant to a ruling of the General Court of the European Union dated 13 September 2013, which found in favour of the Company.

(53) Considering that the payment of the sums determined by the Decision of 2008 was made out of the Company's retained earnings – which "ideally" included the interest paid on Poste Italiane SpA's deposits with the MEF, regarded as inappropriate by the European Commission given that it was, in essence, a capital contribution by the State to a State-owned company – the sums returned by the MEF were credited to retained earnings, to the extent provided for in the 2015 Stability Law.

(54) More specifically, with reference to the difference of €45 million between the amount claimed by the Parent Company and the amount recognised by law, at 31 December 2014 (i) retained earnings were increased up to the limit provided for by the 2015 Stability Law; (ii) the remaining €33 million in interest accrued until 31 December 2013 was written off; and (iii) an adjustment of €9 million was made in relation to interest for the year. In 2015, an adjustment was made in relation to the €3 million accrued until the day the sum was collected.

B4 – Reserves

TAB. B4 – RESERVES

(€m)	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method	Total
Balance at 1 January 2014	**299**	**1,000**	**670**	**(18)**	**–**	**1,951**
Increases/(decreases) in fair value during the period	–	–	1,966	144	–	2,110
Tax effect of changes in fair value	–	–	(628)	(47)	–	(675)
Transfers to profit or loss	–	–	(289)	(46)	–	(335)
Tax effect of transfers to profit or loss	–	–	94	15	–	109
Gains/(Losses) recognised in equity	–	–	1,143	66	–	1,209
Other	–	–	–	–	–	–
Attribution of profit for 2013	–	–	–	–		–
Balance at 31 December 2014	**299**	**1,000**	**1,813**	**48**	**–**	**3,160**
Increases/(decreases) in fair value during the period	–	–	1,591	13		1,604
Tax effect of changes in fair value	–	–	(473)	(4)	–	(477)
Transfers to profit or loss	–	–	(467)	(71)		(538)
Tax effect of transfers to profit or loss	–	–	151	23	–	174
Adjustments for change in IRES tax rate introduced by 2016 Stability Law	–	–	124	–	–	124
Investees accounted for using equity method – share of OCI (net of tax)	–	–	–	–	–	–
Gains/(Losses) recognised in equity	–	–	926	(39)	–	887
Other	–	–	–	–	–	–
Attribution of profit for 2014	–	–	–	–	–	–
Balance at 31 December 2015	**299**	**1,000**	**2,739**	**9**	**–**	**4,047**

Details are as follows:

- The **fair value reserve** regards changes in the fair value of available-for-sale financial assets which, during 2015, showed gains totalling €1,591 million as follows:
  - €1,538 million regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Financial Services segment, consisting of €1,412 million in gains on securities and €126 million in gains on equity instruments;
  - €49 million regarding the net fair value gain on available-for-sale financial assets attributable to the Group's Insurance Services segment;
  - €4 million 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 2015 net fair value gains of €13 million 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 *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Mathematical provisions	82,015	68,641
Outstanding claims provisions	1,179	475
Technical provisions where investment risk is transferred to policyholders	7,218	8,503
Other provisions	9,790	9,511
for operating costs	79	83
for deferred liabilities to policyholders	9,711	9,428
Technical provisions for claims	112	90
Total	**100,314**	**87,220**

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 2015 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 – Provisions for risks and charges

Movements in provisions for risks and charges are as follows:

TAB. B6 – MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES FOR THE YEAR ENDED 31 DECEMBER 2015

Item (€m)	Balance at 31 December 2014	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2015
Provisions for non-recurring charges	278	50	–	(4)	(29)	295
Provisions for disputes with third parties	383	73	1	(32)	(26)	399
Provisions for disputes with staff[1]	184	16	–	(22)	(36)	142
Provisions for personnel expenses	115	80	–	(25)	(39)	131
Provisions for restructuring charges	256	316	–	–	(256)	316
Provisions for expired and statute barred postal savings certificates	14	–	–	–	–	14
Provisions for taxation/social security contributions	24	3	–	(3)	–	24
Other provisions for risks and charges	80	12	–	(10)	(6)	76
Total	**1,334**	**550**	**1**	**(96)**	**(392)**	**1,397**
Overall analysis of provisions:						
– non-current portion	601					634
– current portion	733					763
	1,334					**1,397**

(1) Net releases for Personnel expenses amount to €13 million. Service costs (legal assistance) total €7 million.

MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES FOR THE YEAR ENDED 31 DECEMBER 2014

Item (€m)	Balance at 31 December 2013	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2014
Provisions for non-recurring charges	269	47	–	(18)	(20)	278
Provisions for disputes with third parties	348	80	1	(34)	(12)	383
Provisions for disputes with staff[1]	232	27	–	(32)	(43)	184
Provisions for personnel expenses	107	67	–	(10)	(49)	115
Provisions for restructuring charges	114	256	–	–	(114)	256
Provisions for expired and statute barred postal savings certificates	14	–	–	–	–	14
Provisions for taxation/social security contributions	16	12	–	(1)	(3)	24
Other provisions for risks and charges	66	22	–	(4)	(4)	80
Total	**1,166**	**511**	**1**	**(99)**	**(245)**	**1,334**
Overall analysis of provisions:						
– non-current portion	565					601
– current portion	601					733
	1,166					1,334

(1) Net releases for Personnel expenses amount to €11 million. Service costs (legal assistance) total €6 million.

Specifically:

- **Provisions for non-recurring charges** relate primarily to BancoPosta's operational risks, reflecting items deriving from the reconstruction of the chart of accounts as of the date of incorporation of Poste Italiane SpA, liabilities deriving from the provision of delegated services on behalf of delegating social security institutions, frauds, violation of an administrative nature, compensation and adjustments to income for previous years, risks related to customers' complaints regarding investment products unsuited to their profiles and with performances not in line with expectations, as well as estimated risks for costs and charges to be incurred in relation to seizures of accounts held with BancoPosta. Provisions for the year primarily reflect liabilities deriving from the wrong application of statute-of-limitation terms, administrative violations and risks related to delegated services. Uses, amounting to €29 million, relate to settlement of disputes and payment of other liabilities during the period. Releases to profit or loss, amounting to €4 million, relate to liabilities recognised in the past that have 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 €73 million reflect the estimated value of new liabilities measured on the basis of expected outcomes. The reduction of €32 million relates to the reversal of liabilities recognised in the past, whilst a reduction of €26 million regards the value of disputes settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €6 million 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 €36 million regard amounts used to cover the cost of settling disputes.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, with are certain or likely to occur but whose estimated amount is subject to change. They have increased by the estimated amount of new liabilities (€80 million) and decreased as a result of past liabilities that failed to materialise (€25 million) and settled disputes (€39 million).
- **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 2017. Use of €256 million was made during the year under review.
- **Provisions for expired and statute barred Postal Certificates** held by BancoPosta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Parent Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2015, the provisions represent the present value of total liabilities, based on a nominal value of €21 million expected to be progressively settled by 2043.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax and social security 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 2015:

TAB. B7 – MOVEMENTS IN PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS AND PENSION PLANS

(€m)	2015			2014		
	Employee termination benefits	Pension plans	Total	Employee termination benefits	Pension plans	Total
Balance at 1 January	**1,475**	**3**	**1,478**	**1,337**	**3**	**1,340**
Change in scope of consolidation	1	–	1	–	–	–
Current service cost	1	–	1	1	–	1
Interest component	28	–	28	39	–	39
Effect of actuarial (gains)/losses	(82)	1	(81)	177	–	177
Uses for the period	(66)	–	(66)	(79)	–	(79)
Balance at 31 December	**1,357**	**4**	**1,361**	**1,475**	**3**	**1,478**

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs.

The main actuarial assumptions applied in calculating provisions for **employee termination benefits** and the **pension plan**, where the latter relates solely to BdM-MCC employees, are as follows:

TAB. B7.1 – ECONOMIC AND FINANCIAL ASSUMPTIONS

	At 31 December 2015	At 30 June 2015	At 31 December 2014
Discount rate	2.03%	2.06%	1.49%
Inflation rate	1.50% for 2016	0.60% for 2015	0.60% for 2015
	1.80% for 2017	1.20% for 2016	1.20% for 2016
	1.70% for 2018	1.50% 2017 and 2018	1.50% 2017 and 2018
	1.60% for 2019	2.00% from 2019 on	2.00% from 2019 on
	2.00% from 2020 on		
Annual rate of increase of employee termination benefits	2.625% for 2016	1.95% for 2015	1.95% for 2015
	2.85% for 2017	2.40% for 2016	2.40% for 2016
	2.775% for 2018	2.625% 2017 and 2018	2.625% 2017 and 2018
	2.70% for 2019	3.00% from 2019 on	3.00% from 2019 on
	3.00% from 2020 on		

TAB. B7.2 – DEMOGRAPHIC ASSUMPTIONS

	At 31 December 2015
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains and losses are generated by the following factors:

TAB. B7.3 – ACTUARIAL GAINS AND LOSSES

	Employee termination benefits at 31 December 2015	Pension plan at 31 December 2015	Employee termination benefits at 31 December 2014	Pension plan at 31 December 2014
Change in demographic assumptions	3	1	–	–
Change in financial assumptions	(68)	–	194	–
Other experience-related adjustments	(17)	–	(17)	–
Total	**(82)**	**1**	**177**	**–**

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 2015	Pension plan at 31 December 2015	Employee termination benefits at 31 December 2014	Pension plan at 31 December 2014
Inflation rate +0.25%	1,379	4	1,499	3
Inflation rate -0.25%	1,337	3	1,452	3
Discount rate +0.25%	1,325	3	1,438	3
Discount rate -0.25%	1,392	4	1,514	3
Turnover rate +0.25%	1,357	–	1,473	–
Turnover rate -0.25%	1,359	–	1,478	–

The following table provides further information in relation to employee termination benefits.

TAB. B7.5 – OTHER INFORMATION

	At 31 December 2015
Service Cost (expected for 2016)	1
Average duration of defined benefit plan	10.8
Average employee turnover	0.41%

B8 – Financial liabilities

Financial liabilities break down as follows at 31 December 2015:

TAB. B8 – FINANCIAL LIABILITIES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	–	43,468	43,468	–	40,615	40,615
Borrowings	6,003	3,074	9,077	4,003	6,470	10,473
Bonds	2,011	37	2,048	2,010	35	2,045
Borrowings from financial institutions	3,984	3,034	7,018	1,982	6,429	8,411
Other borrowings	–	1	1	1	2	3
Finance leases	8	2	10	10	4	14
Derivative financial instruments	1,595	4	1,599	1,779	–	1,779
Cash flow hedges	88	(9)	79	55	(7)	48
Fair value hedges	1,507	13	1,520	1,716	7	1,723
Fair value through profit or loss	–	–	–	8	–	8
Other financial liabilities	–	3,334	3,334	–	2,492	2,492
Total	**7,598**	**49,880**	**57,478**	**5,782**	**49,577**	**55,359**

Payables deriving from postal current accounts

Payables deriving from postal current accounts represent BancoPosta's direct deposits, and include interest accrued at 31 December 2015, which was settled with customers in January 2016.

Borrowings

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios or maintain a certain minimum rating.

Bonds

Bonds consist of the following:

- Two issues by Poste Italiane SpA, recognised at an amortised cost of €811 million under the EMTN – Euro Medium Term Note programme of €2 billion listed by the Company in 2013 on the Luxembourg Stock Exchange. In particular:
  - bonds with a nominal value of €750 million, placed through a public offering for institutional investors at a below par price of 99.66 on 18 June 2013. The bonds have a term to maturity of five years and pay annual coupon interest at a fixed rate of 3.25%. The fair value(55) of this borrowing at 31 December 2015 is €815 million;
  - bonds with a nominal value of €50 million subscribed by investors through a private placement at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in section A5; the fair value(56) of this borrowing at 31 December 2015 is €55 million.

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

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

- Subordinated bonds[57] with a nominal value of €750 million and accounted for at their amortised cost of €758 million, issued at a below par price of 99.597 by Poste Vita SpA on 30 May 2014 and listed on the Luxembourg Stock Exchange. The bonds have a five-year term to maturity and pay annual coupon interest of 2.875%. The fair value[58] of this liability at 31 December 2015 is €799 million.
- Four bonds with a value of €479 million issued by BdM-MCC SpA between 1998 and 1999 and maturing between 2018 and 2028, listed on the MOT. These bonds carry variable rates or simulate variable rate bonds through the use of fair value hedges, call for a total repayment on maturity of €530 million (nominal value plus interest) and have an amortised cost at the reporting date of €387 million. As a result of the above fair value hedges, at 31 December 2015 the carrying amount of the bonds reflects a fair value adjustment of €92 million. The total fair value[59] of the bonds at 31 December 2015 is €481 million.

Borrowings from financial institutions

This item breaks down as follows:

TAB. B8.1 – BORROWINGS FROM FINANCIAL INSTITUTIONS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	3,384	2,021	5,405	1,501	4,703	6,204
Short-term ECB loan	–	830	830	–	800	800
EIB fixed rate loan maturing 11 April 2018	200	–	200	200	–	200
EIB fixed rate loan maturing 23 March 2019	200	–	200	200	–	200
EIB variable rate loan maturing in 2017	–	1	1	1	1	2
Other borrowings	200	175	375	80	914	994
Current account overdrafts	–	5	5	–	8	8
Accrued interest expense	–	2	2	–	3	3
Total	**3,984**	**3,034**	**7,018**	**1,982**	**6,429**	**8,411**

VR: Variable rate borrowing. FR: Fixed rate borrowing.

Borrowings from financial institutions are subject to standard negative pledge clauses[60].

Outstanding liabilities for repurchase agreements at 31 December 2015 amount to €5,405 million and relate to contracts with a total nominal value of €5,019 million, entered into by the Parent Company with major financial institutions. These liabilities consist of:

- €4,111 million (€9 million of which accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed income government securities of a matching nominal amount;
- €784 million relating to BancoPosta's ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers;
- €510 million relating to repurchase agreements, involving securities with a total nominal amount of €450 million entered into by the Parent Company in the year under review to optimise returns and to meet its short-term liquidity requirements.

(57) The bondholders rank below customers holding the company's insurance policies.
(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.
(60) A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking pari passu with existing creditors, unless the same degree of protection is also offered to them.

At 31 December 2015, the fair value[61] of repurchase agreements amounts to €5,459 million.

The short-term ECB loan of €830 million obtained by BdM-MCC SpA, within the scope of the ECB's open market operations channelled through national central banks. The carrying amount approximates to the relevant fair value at 31 December 2015.

The fair value[62] of the two fixed rate EIB loans of €400 million obtained by the Parent Company €405 million.

Other borrowings of €375 million refer nearly entirely to:

- medium-term loans entered into by BdM-MCC SpA for €200 million, of which €54 million provided by Cassa Depositi e Prestiti SpA;
- short-term loans obtained by BdM-MCC SpA, totalling €175 million, of which €23 million provided by Cassa Depositi e Prestiti SpA.

The carrying amount of the above items and other borrowings approximates to their fair value at 31 December 2015.

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

Item *(€m)*	At 31 December 2015		
	Instalments from 1 January 2016 to maturity	Interest	Present value
Buildings used in operations	7	–	7
Other assets	–	–	–
Industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights	4	1	3
Total	**11**	**1**	**10**

TAB. B8.3. – TERM TO MATURITY OF FINANCE LEASE LIABILITIES

Item *(€m)*	At 31 December 2015			
	within 1 year	from 1 to 5 years	over 5 years	Total
Buildings used in operations	1	6	–	7
Other assets	–	–	–	–
Industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights	1	2	–	3
Total	**2**	**8**	**–**	**10**

(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 2015, the following credit facilities are available:

- committed lines of €1,630 million, of which €830 million has been used;
- uncommitted lines of credit of €1,753 million, of which €295 million was used for short-term borrowings;
- overdraft facilities of €88 million, of which €5 million has been used;
- unsecured guarantee facilities with a value of approximately €491 million (with €347 million available to the Parent Company), of which guarantees with a value of €281 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.

Moreover, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €545 million, and the facility is unused at 31 December 2015.

Derivative financial instruments

Movements in derivative financial instruments during 2015 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 (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	–	1,454	1,454	–	938	938
Domestic and international money transfers	–	532	532	–	520	520
Cashed cheques	–	508	508	–	333	333
Guarantee deposits	–	205	205	–	168	168
Endorsed cheques	–	135	135	–	158	158
Tax collection and road tax	–	106	106	–	137	137
Amounts to be credited to customers	–	160	160	–	120	120
Amounts due to BdM-MCC SpA customers	–	88	88	–	–	–
Other amounts payable to third parties	–	65	65	–	62	62
Payables for items in process	–	60	60	–	41	41
Other	–	21	21	–	15	15
Total	**–**	**3,334**	**3,334**	**–**	**2,492**	**2,492**

Specifically:

- **Amounts due on prepaid cards**, totalling €1,454 million relate to the electronic top-up of Postepay cards. The increase was due mainly to Postepay Evolution, a new product.
- **Amounts due on domestic and international money transfers** represent the exposure to third parties for:
  - domestic postal orders, totalling €396 million;
  - domestic and international transfers, totalling €136 million.
- **Amounts payable for guarantee deposits** regard €124 million paid to BdM-MCC SpA by interest rate swap counterparties (collateral provided by specific Credit Support Annexes), in relation to swaps entered into for fair value hedging purposes and €81 million received by the Parent Company in relation to Asset swaps (collateral provided by specific Credit Support Annexes) and repurchase agreements covering fixed income securities (collateral under specific Global Master Repurchase Agreements).
- **Tax collection and road tax payables** relate to amounts due to collection agents, the tax authorities and regional authorities for payments made by customers.
- **Amounts to be credited to customers** relate to amounts received from the Ministry for Economic Development to fund the payment of "fuel bonuses" to qualifying customers, payments of bills by payment slip in the process of being credited to beneficiaries' accounts, payments to be made on behalf of Poste Vita SpA, amounts to be paid for BancoPosta promotions, etc..

B9 – Trade Payables

Details are as follows:

TAB. B9 – TRADE PAYABLES

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Amounts due to suppliers	1,254	1,223
Prepayments and advances from customers	186	186
Other trade payables	10	9
Amounts due to subidiaries	2	2
Amounts due to associates	–	–
Amounts due to joint ventures	1	2
Total	**1,453**	**1,422**

Amounts due to suppliers

TAB. B9.1 – AMOUNTS DUE TO SUPPLIERS

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Italian suppliers	1,118	1,094
Overseas suppliers	21	25
Overseas counterparties(1)	115	104
Total	**1,254**	**1,223**

(1) The amount due to overseas counterparties relates to 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 (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Prepayments from overseas correspondents	92	80
Automated franking	60	66
Unfranked mail	12	17
Postage-paid mailing services	5	6
Other services	17	17
Total	**186**	**186**

B10 – Other liabilities

Details of these items are as follows:

TAB. B10 – OTHER LIABILITIES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	–	794	794	–	770	770
Social security payables	41	443	484	43	488	531
Other taxes payable	773	642	1,415	617	523	1,140
Amounts due to the MEF	–	21	21	–	21	21
Sundry payables	90	69	159	89	48	137
Accrued liabilities and deferred income	16	56	72	14	45	59
Total	**920**	**2,025**	**2,945**	**763**	**1,895**	**2,658**

Amounts due to staff

Amounts due to staff relate primarily to amounts accrued and not paid at 31 December 2015. Details are as follows:

TAB. B10.1 – AMOUNTS DUE TO STAFF

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Fourteenth month salaries	240	238
Incentives	413	300
Accrued vacation pay	56	58
Other amounts due to staff	85	174
Total	**794**	**770**

At 31 December 2015, incentives that at 31 December 2014 were included in provisions for restructuring were determinable with reasonable certainty and, as such, were recognised as payables.

Social security payables

TAB. B10.2 – SOCIAL SECURITY PAYABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	–	351	351	–	395	395
Pension funds	–	82	82	–	80	80
INAIL	41	3	44	43	3	46
Other agencies	–	7	7	–	10	10
Total	**41**	**443**	**484**	**43**	**488**	**531**

Specifically:

- **Amounts due to the *Istituto Nazionale per la Previdenza Sociale*** (*INPS*, the National Institute of Social Security) primarily relate to amounts due on salaries paid and accrued at 31 December 2015. This item also includes provisions for employee termination benefits still to be paid.
- **Amounts payable to pension funds** relate to sums due to FondoPoste and other pension funds following the decision by certain Group employees to join supplementary funds.
- **Amounts due to the *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*** (*INAIL*, the National Occupational Injury Compensation Authority) relate to injury compensation paid to employees of the Parent Company for injuries occurring up to 31 December 1998.

Other tax liabilities

TAB. B10.3 – OTHER TAXES PAYABLE

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	773	43	816	617	–	617
Tax due on insurance provisions	–	385	385	–	334	334
Withholding tax on employees' and consultants' salaries	–	113	113	–	101	101
Withholding tax on postal current accounts	–	7	7	–	21	21
VAT payable	–	21	21	–	24	24
Substitute tax	–	55	55	–	19	19
Other taxes due	–	18	18	–	24	24
Total	**773**	**642**	**1,415**	**617**	**523**	**1,140**

In particular:

- **Stamp duty** relates mainly to the amount accrued at 31 December 2015 on Interest-bearing Postal Certificates outstanding and on Class 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 2016 as withholding agents.
- **Withholding tax due on postal current accounts** refers to amounts withheld by BancoPosta RFC on interest accrued during the year on customer current accounts.
- **Substitute tax**, relating mainly to Poste Vita SpA, refers to the tax payable on annual revaluations of individual pension plans and the monthly withholdings for December, which were both paid in January and February 2016.

Amounts due to the MEF

This item includes:

- €12 million, reflecting payables arising from pension payments made by the MEF to former Poste Italiane SpA employees between 1 January 1994 and 31 July 1994;
- €9 million, relating to the return of the extraordinary contribution, pursuant to article 2 Law 778/85, received from the MEF to cover shortfalls of the pension fund of the former Postal and Telecommunications Administration.

The items in question were reviewed by a joint working group created with the MEF – Department of Treasury and General Accounting Department and included in the letter dated 7 August 2015.

Sundry payables

TAB. B10.4 – SUNDRY PAYABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	76	8	84	76	10	86
Guarantee deposits	8	2	10	8	2	10
Other payables	6	59	65	5	36	41
Total	**90**	**69**	**159**	**89**	**48**	**137**

In detail:

- **sundry payables attributable to BancoPosta's** operations primarily relate to prior year balances currently being verified.
- **guarantee deposits** primarily relate to amounts collected from the Parent Company's customers as a guarantee of payment for services (postage-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

Accrued expenses and deferred income from trading transactions

TAB. B10.5 – ACCRUED LIABILITIES AND DEFERRED INCOME

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued liabilities	–	5	5	–	6	6
Deferred income	16	51	67	14	39	53
Total	**16**	**56**	**72**	**14**	**45**	**59**

Deferred income comprises:

- €21 million in prepaid telephone traffic sold as of 31 December 2015 sold by PosteMobile SpA and not yet used by customers;
- €14 million in fees on Postemat and Postepay Evolution cards collected in advance by the Parent Company;
- €10 million in grants approved by the competent public authorities in favour of the Parent Company, whose matching costs have not been incurred yet;
- €5 million (of which €4 million relates to income to be recognised after 2015) 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 €8,810 million, breaks down as follows:

TAB. C1 – REVENUE FROM SALES AND SERVICES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Postal and Business Services	3,825	3,964
Financial Services	4,744	4,950
Other sales of goods and services	241	236
Total	**8,810**	**9,150**

Postal and Business Services

Revenue from Postal and Business Services breaks down as follows:

TAB. C1.1 – REVENUE FROM POSTAL AND BUSINESS SERVICES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Unfranked mail	1,152	1,199
Automated franking by third parties and at post offices	827	882
Express parcel and express courier services	422	406
Stamps	224	248
Integrated services	220	215
Overseas mail and parcels	127	114
Postage-paid mailing services	115	130
Electronic document management and e-procurement services	38	45
Telegrams	40	43
Logistics services	25	35
Innovative services	22	30
Other postal services	108	98
Total revenue from Postal Services	**3,320**	**3,445**
Air shipping services	82	93
Income from application for residence permits	29	31
Rentals	15	16
PosteShop sales	9	21
Other business services	91	64
Total revenue from Business Services	**226**	**225**
Total market revenue	**3,546**	**3,670**
Universal Service compensation	279	277
Electoral subsidies	–	17
Total	**3,825**	**3,964**

In detail:

- **Unfranked mail** relates to revenue from the mailing of correspondence by large customers from the post office network, including those conducted using the Bulk Mail formula.
- **Automated franking by third parties or at post offices**, relates to revenue from the mailing of correspondence franked by customers or at post offices using a franking machine.
- **Express parcel and express courier services** relate to services provided mainly 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 (€195 million).
- **Postage-paid mailing services** relate to revenue from the delivery of publications and mail-order goods on behalf of publishers.
- **Revenue from electronic document management and e-procurement** services relates to the distribution and supply of stationery, forms and printed documents by the subsidiary, Postel SpA.
- **Universal Service compensation** relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Compensation for services rendered in 2015 was recognised in the amount of €262 million, reflecting the provision made in the state budget for the purposes provided for by article 1 paragraph 274 of Law 190/2014 (2015 Stability Law) which were unchanged at the reporting date. To this end, reference is made to note 2.4 – *Use of estimates* and A7.3 – *Due from the MEF*. The remaining amount due of €279 million reflects revenue previously written down in provisions for doubtful debts due from the MEF, after the Ministry made new provision to honour previous contractual obligations.
- **Electoral tariff subsidies** concern the sums payable by the State in relation to the reductions and subsidies to which candidates in election campaigns are entitled (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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Fees for collection of postal savings deposits	1,610	1,640
Income from investment of postal current account deposits	1,546	1,659
Other revenues from current account services	472	490
Commissions on payment of bills by payment slip	456	493
Income from delegated services	123	136
Fees for issue and use of prepaid cards	130	115
Distribution of loan products	125	110
Interest on loans and other income	55	51
Money transfers	45	55
Fees for the management of public funds	45	41
Mutual fund management fees	44	37
Securities custody	8	11
Commissions from securities trading	5	9
Other products and services	80	103
Total	**4,744**	**4,950**

In particular:

- **Fees for the collection of postal savings deposits** relate to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.
- **Income from the investment of postal current account deposits** breaks down as follows:

TAB. C1.3 – INCOME FROM INVESTMENT OF POSTAL CURRENT ACCOUNTS DEPOSITS

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Income from investments in securities	1,508	1,585
Interest income on held-to-maturity financial assets	573	631
Interest income on available-for-sale financial asset	930	913
Interest income on securities held for trading	1	–
Interest income on asset swaps of available-for-sale financial asset	4	41
Income from deposits held with the MEF	38	74
Remuneration of current account deposits (deposited with the MEF)	34	74
Differential on derivatives stabilising returns	4	–
Net remuneration of own liquidity recognised in finance income and costs	–	–
Total	**1,546**	**1,659**

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A5.

Remuneration of postal current account deposits represents accrued interest for the year on amounts deposited with the MEF, including net differentials swapped in relation to the forward purchases and spot sales described in section A5 designed to smooth out returns on the deposits with the MEF.

- **Revenue from current account services** primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions.
- **Income from delegated services** primarily regards amounts received by the Parent Company for the payment of pensions and vouchers issued by INPS (€60 million) and for the provision of treasury services on the basis of the agreement between Poste Italiane SpA and the MEF (€57 million).
- **Revenue from the distribution of loan products** relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.
- **Interest on loans** and **fees for the management of public funds** are entirely attributable to BdM-MCC SpA.
- **Other products and services** mainly reflect fees deriving from the processing of tax payment forms (F24) (€70 million).

Other sales of goods and services

Other sales of goods and services relate to income of €240 million generated by PosteMobile SpA mainly for mobile telephony services; the difference relates to the revenue of the SDS Group, which was acquired in 2015 by Poste Vita SpA.

C2 – Insurance premium revenue

Details of this item are as follows:

TAB. C2 – INSURANCE PREMIUM REVENUE

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Life premiums(*)	18,130	15,417
Class I	17,898	14,701
Class III	163	17
Class IV	3	1
Class V	66	698
Non-life premiums(*)	67	55
Total	**18,197**	**15,472**

(*) 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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Income from financial assets at fair value through profit or loss	567	705
Interest	468	334
Fair value gains	72	229
Realised gains	27	142
Income from available-for-sale financial assets	3,067	3,048
Interest	2,278	2,288
Realised gains	789	760
Income from fair value hedges	2	–
Fair value gains	2	–
Foreign exchange gains	5	3
Unrealised gains	1	1
Realised gains	4	2
Other income	16	16
Total	**3,657**	**3,772**

C4 – Other operating income

Other operating income relates to the following:

TAB. C4 – OTHER OPERATING INCOME

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Recoveries of contract expenses and other recoveries	25	29
Government grants	14	12
Recovery of cost of seconded staff	1	2
Gains on disposals(*)	2	1
Increases to estimates of previous years(**)	–	41
Other income	33	33
Total	**75**	**118**

(*) In view of a reconciliation with the statement of cash flows, for 2015 Gains on disposals have a zero balance, after deduction losses for €2 million.
(**) See section 2.2.

C5 – Costs 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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Services	1,999	1,918
Lease expense	359	374
Raw, ancillary and consumable materials and goods for resale	175	230
Interest expense	57	126
Total	**2,590**	**2,648**

Cost of services

TAB. C5.1 – SERVICES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Transport of mail,parcels and forms	509	470
Routine maintenance and technical assistance	264	258
Outsourcing fees and external service charges	190	188
Personnel services	164	161
Energy and water	139	137
Mobile telecommunication services for customers	112	107
Transport of cash	98	101
Mail, telegraph and telex	73	70
Credit and debit card fees and charge	73	65
Cleaning, waste disposal and security	64	64
Mail, telegraph and telex	62	68
Consultants' fees and legal expenses	50	29
Advertising and promotions	85	42
Electronic document management, printing and enveloping services	29	56
Airport costs	26	31
Logistics and document storage services	12	31
Insurance premiums	16	17
Agent commissions and other	12	16
Asset management fees	16	2
Securities custody and management fee	2	2
Remuneration of Statutory Auditors	2	2
Other	1	1
Total	**1,999**	**1,918**

Lease expense

TAB. C5.2 – LEASE EXPENSE

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Real estate leases and ancillary costs	192	197
Vehicle leases	77	86
Equipment hire and software licences	54	52
Other lease expense	36	39
Total	**359**	**374**

Real estate leases relate almost entirely to the buildings from which the Group operates (post offices, Delivery Logistics Centres and Sorting Centres). Under the relevant lease agreements, rents are increased annually on the basis of the price index published by the *Istituto Nazionale di Statistica* (*ISTAT*, the Italian Office for National Statistics). Lease terms are generally six years, renewable for a further six. Renewal is assured from the clause stating that the lessor "waives the option of refusing renewal on expiry of the first term", by which the lessor, once the agreement has been signed, cannot refuse to renew the lease, except in cases of force majeure. The Parent Company has the right to withdraw from the contract at any time, giving six months' notice, in accordance with the standard lease contract.

Raw, ancillary and consumable materials and goods for resale

TAB. C5.3 – RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

Item *(€m)*	**Note**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Consumables, advertising materials and goods for resale		94	128
Fuels and lubricants		66	83
Printing of postage and revenue stamps		8	9
SIM cards and scratch cards		2	3
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[tab. A6]	2	5
Change in inventories of raw, ancillary and consumable materials	[tab. A6]	4	(1)
Change in property held for sale	[tab. A6]	(1)	3
Other		–	–
Total		**175**	**230**

Interest expense

TAB. C5.4 – INTEREST EXPENSE

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Interest on customers' deposits	30	93
Interest expense on repurchase agreements	21	29
Interest due to MEF	1	–
Other interest expense and similar charges	5	4
Total	**57**	**126**

Compared to the previous year, interest paid to customers decreased, mainly as a result of a fall in the interest rates paid on certain postal current accounts.

Other interest expense refers to interest paid on the different types of deposits taken by BdM-MCC SpA, including the positive differences arising on fair value hedge transactions undertaken with respect to bonds in issue (note B8).

C6 – Net movement in technical provisions for insurance business and other claim expenses

This item breaks down as follows:

TAB. C6 – MOVEMENTS IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Claims paid	7,313	5,274
Movement in mathematical provisions	13,383	12,910
Movement in outstanding claim provisions	704	243
Movement in Other technical provisions	(459)	121
Movement in technical provisions where investment risk is transferred to policyholders	(1,285)	(687)
Claim expenses and movement in other provisions – Non-life	27	22
Total	**19,683**	**17,883**

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 €7,313 million;
- the change in mathematical provisions, totalling €13,383 million, reflecting increased obligations to policyholder;
- the decrease in technical provisions where investment risk is transferred to policyholders (so-called class D), totalling €1,285 million.

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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Expenses from financial instruments through profit or loss	611	16
Unrealised losses	604	9
Realised losses	7	7
Expenses from available-for-sale financial instruments	47	26
Realised losses	47	26
Expenses from cash flow hedges	–	–
Fair value losses	–	–
Change in fair value of financial liabilities	–	–
Expenses from fair value hedges	–	1
Fair value losses	–	1
Foreign exchange losses	–	–
Unrealised losses	–	–
Realised losses	–	–
Other expenses	31	33
Total	**689**	**76**

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 (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Wages and salaries		4,346	4,373
Social security contributions		1,226	1,231
Provisions for employee termination benefits: current service cost	[tab. B7]	1	1
Provisions for employee termination benefits: supplementary pension funds and INPS		269	272
Agency staff		5	9
Remuneration and expenses paid to Directors		2	3
Early retirement incentives		78	152
Net provisions (reversals) for disputes with staff	[tab. B6]	(13)	(11)
Provisions for restructuring charges	[tab. B6]	316	256
Other personnel expenses/(cost recoveries)		(68)	(57)
Total personnel expenses		**6,162**	**6,229**
Income from settlements with fixed-term and agency staff		(11)	–
Total		**6,151**	**6,229**

Compensation to Directors to discharge their duties amount overall to €2 million (€3.4 million in 2014), of which €0.2 million relates to expenses (€0.1 million in 2014).
Net provisions for disputes with staff and provisions for restructuring charges are described in section B6.
Cost savings refer mainly to changes in estimates made in previous years.

Amounts due from staff under fixed-term and agency contracts refer to the individual arrangements resulting from the agreement reached on 30 July 2015 by Poste Italiane SpA and the trade unions regarding the re-employment by court order of staff previously employed on fixed-term and agency contracts. The agreement made it possible to finalise arrangements with approximately 940 individuals who had been employed by the Parent Company by virtue of court orders not yet become final. Under the terms of these arrangements, these employees waived the legal and economic effects of the re-employment ruling and about 929 of them undertook to return, in instalments over the medium/long term, without interest, the back-pay collected for the periods not worked, which the Company had expensed out in previous years. These salaries amounted to approximately €11.3 million, but the Parent Company recognised the present value of €11 million as income for the current year.

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

TAB. C8.1 – WORKFORCE

Category	Average workforce		Year-end workforce	
	2015	2014	At 31 december 2015	At 31 december 2014
Executives	793	789	790	775
Middle managers	16,042	16,010	15,878	15,984
Operational staff	121,487	123,255	119,792	121,640
Back-office staff	1,408	2,167	1,141	1,641
Total employees on permanent contracts(*)	**139,730**	**142,221**	**137,601**	**140,040**

(*) Figures expressed in Full Time Equivalent terms.

Taking account of staff on flexible contracts, the total average number of full-time equivalent staff in 2015 is 143,700 (144,635 in 2014).

C9 – Depreciation, amortisation and impairments

Depreciation, amortisation and impairments break down as follows:

TAB. C9 – DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Property, plant and equipment	353	362
Properties used in operations	108	106
Plant and machinery	98	110
Industrial and commercial equipment	10	11
Leasehold improvements	29	29
Other assets	108	106
Impairments/recoveries/adjustments of property, plant and equipment	(12)	47
Depreciation of investment property	5	5
Impairment/recoveries/adjustments of investment property	–	–
Amortisation and impairments of intangible asset	223	257
Industrial patents and intellectual property rights,concessions, lincenses, trademarks and similar rights	212	248
Other	11	9
Goodwill impairment	12	–
Total	**581**	**671**

Goodwill impairment refers to Postel SpA, as described in note A3.

C10 – Capitalised costs and expenses

Capitalised costs and expenses break down as follows:

TAB. C10 – INCREASES RELATING TO ASSETS UNDER CONSTRUCTION

Item (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Property, plant and machinery	[A1]	7	6
Intangible assets	[A3]	26	24
Total		**33**	**30**

C11 – Other operating costs

Other operating costs break down as follows:

TAB. C11 – OTHER OPERATING COSTS

Item (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Net provisions and losses on doubtful debts (uses of provisions)		(42)	90
Provisions for receivables due from customers	[tab. A7.2]	21	27
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.4]	(68)	57
Provisions (reversal of provisions) for sundry receivables	[tab. A8.1]	4	6
Losses on receivables		1	–
Operational risk events		39	29
Thefts	[tab. A5.1.1 b]	6	6
Loss of BancoPosta assets, net of recoveries		5	2
Other operating losses of BancoPosta		28	21
Net provisions for risks and charges made/(released)		89	93
for disputes with third parties	[tab. B6]	41	46
for non-recurring charges	[tab. B6]	46	29
for other risks and charges	[tab. B6]	2	18
Losses		2	3
Municipal property tax, urban waste tax and other taxes and duties		68	73
Revised estimates and assessments for previous years(*)		–	19
Other recurring expenses		42	37
Total		**198**	**344**

(*) For more details reference is made to note 2.2.

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 the financial and insurance businesses are invested.

Finance income

TAB. C12.1 – FINANCE INCOME

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Income from available-for-sale financial assets	128	147
Interest[1]	113	102
Accrued differentials on fair value hedges	(9)	(8)
Realised gains	23	53
Dividends	1	–
Income from financial assets at fair value through profit or loss[1]	–	14
Other finance income[1]	23	33
Interest from the MEF	2	–
Interest on bank current accounts	–	1
Finance income on discounted receivables[2]	11	20
Late payment interest	17	8
Impairment of amounts due as late payment interest	(17)	(8)
Income from subsidiaries	–	–
Interest on IRES refund	5	11
Adjustment of interest on IRES refund	(1)	–
Other	6	1
Foreign exchange gains	7	4
Total	**158**	**198**

(1) For the purposes of reconciliation with the statement of cash flows, for 2015 these items total €127 million (€141 million in 2014).

(2) Finance income on discounted receivables includes: €8 million in interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012 and 2013 and €3 million in interest on amounts due for the publisher tariff subsidies.

Finance costs

TAB. C12.2 – FINANCE COSTS

Item (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Finance costs on financial liabilities		59	65
on bonds		50	40
on loans from Cassa Depositi e Prestiti		–	5
on borrowings from financial institutions		8	13
on derivative financial instruments		1	7
Finance costs on sundry financial assets		6	75
Impairment loss on available-for-sale investments(1)	[tab. A5.9]	–	75
Realised losses on financial instruments at fair value through profit or loss		6	–
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	28	39
Finance costs on provisions for risks	[tab. B6]	1	1
Other finance costs		7	6
Foreign exchange losses(1)		7	5
Total		**108**	**191**

(1) For the purposes of reconciliation with the statement of cash flows, for 2015 finance costs, after foreign exchange losses sundry finance costs on available-for-sale financial assets, amount to €101 million (€111 million in 2014).

C13 – Income tax expense

This item breaks down as follows:

TAB. C13 – INCOME TAX EXPENSE

Item (€m)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	297	59	356	288	240	528
Deferred tax income	21	(24)	(3)	(71)	(3)	(74)
Deferred tax expense	22	6	28	25	6	31
Total	**340**	**41**	**381**	**242**	**243**	**485**

Income tax of €381 million for the year reflects the effects of net non-recurring income/(expense) totalling €16 million, as described below.

The tax rate for 2015 is 40.77% and consists of:

TAB. C13.1 – RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE IRES RATE

Item *(€m)*	**For the year ended 31 December 2015**		**For the year ended 31 December 2014**	
	IRES	**Tax rate**	**IRES**	**Tax rate**
Profit before tax	933		697	
Theoretical tax charge at 27.5%	256	27.5%	192	27.5%
Effect of changes with respect to theoretical rate				
Change in value of available-for-sale investments	–	0.00%	21	2.96%
Non deductible out-of-period losses	9	0.98%	12	1.76%
Net provisions for risks and charges and bad debts	12	1.30%	16	2.30%
Non deductible taxes	6	0.64%	9	1.25%
Realignment of tax bases and carrying amounts and taxation for previous years	(4)	–0.40%	(9)	–1.32%
Technical provisions for insurance business	52	5.56%	50	7.23%
Deduction from IRES tax base of IRAP paid on personnel expenses	(4)	–0.40%	(55)	–7.94%
Adjustments for change in IRES tax rate introduced by 2016 Stability Law	23	2.49%	–	0.00%
Adjustment of IRES refund claimed	9	1.02%	–	0.00%
Non-recurring income/(expenses) for deferred taxes recycled to profit or loss	7	0.71%	–	0.00%
Other	(26)	–2.97%	6	0.95%
Effective tax charge	**340**	**36.42%**	**242**	**34.69%**

TAB. C13.2 – RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE IRAP RATE

Item *(€m)*	**For the year ended 31 December 2015**		**For the year ended 31 December 2014**	
	IRAP	**Tax rate**	**IRAP**	**Tax rate**
Profit before tax	933		697	
Theoretical tax charge	57	6.16%	45	6.43%
Effect of changes with respect to theoretical rate				
Non-deductible personnel expenses	29	3.15%	192	27.55%
Change in value of available-for-sale investments	–	0.00%	3	0.49%
Non-deductible out-of-period losses	2	0.17%	1	0.18%
Net provisions for risks and charges and bad debts	(12)	–1.32%	7	0.99%
Non-deductible taxes	1	0.14%	2	0.22%
Finance income and costs	(3)	–0.31%	–	0.00%
Realignment of tax bases and carrying amounts and taxation for previous years	(1)	–0.10%	(3)	–0.37%
Non-recurring income/(expenses) for deferred taxes recycled to profit or loss	(24)	–2.54%	–	0.00%
Other	(8)	–1.00%	(4)	–0.59%
Effective tax charge	**41**	**4.35%**	**243**	**34.89%**

Current tax assets and liabilities

TAB. C13.3 – MOVEMENTS IN CURRENT TAX ASSETS/(LIABILITIES)

Item (€m)	Current taxes for the year ended 31 December 2015			Current taxes for the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)		Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	**587**	**48**	**635**	**559**	**58**	**617**
Payments of	225	50	275	291	230	521
prepayments for the current year	213	46	259	228	225	453
balance payable for the previous year	12	4	16	63	5	68
Collection of IRES refund claimed	(518)	–	(518)	–	–	–
Adjustment of IRES refund claimed	(9)	–	(9)	–	–	–
Provisions to profit or loss	(288)	(59)	(347)	(288)	(240)	(528)
Provisions to equity	(22)	(4)	(26)	14	–	14
Other	9(*)	–	9	11	–	11
Balance at 31 December	**(16)**	**35**	**19**	**587**	**48**	**635**
of which:						
Current tax assets	*34*	*38*	*72*	*606*	*53*	*659*
Current tax liabilities	*(50)*	*(3)*	*(53)*	*(19)*	*(5)*	*(24)*

(*) Mainly due to credits resulting from withholdings on fees.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

Current tax assets of €72 million at 31 December 2015 include €12 million in relation to an unreported IRAP deduction, following submission of a claim pursuant to article 6 of Law Decree 185 of 29 November 2008 and article 2 of Law Decree 201 of 6 December 2011, which provided for a partial deductibility of IRAP from IRES. In the second half of 2015, direct tax credits of €518 million (plus interest of €28 million) were collected. In addition, adjustments to tax credits previously recognised, amounting to €9 million (included among net non-recurring expense/(income) were made, following recalculation performed after the payment received from the tax authorities. Interest accrued during the year of €4 million was recognised in "Finance income" (tab. C12.1) and "Other receivables and assets" (tab. A.8).

Deferred tax assets and liabilities

TAB. C13.4 – DEFERRED TAXES

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Deferred tax assets	623	702
Deferred tax liabilities	(1,177)	(1,047)
Total	**(554)**	**(345)**

The nominal tax rate for IRES is 27.5%, whilst the Group's average statutory rate for IRAP is 6.16%[63]. Movements in deferred tax assets and liabilities are shown below:

TAB. C13.5 – MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES

Item *(€m)*	**2015**	**2014**
Balance at 1 January	**(345)**	**168**
Income/(expenses) recognised in profit or loss	(18)	43
Non-recurring income/(expenses) recognised in profit or loss	17	–
Non-recurring income/(expenses) recognised in profit or loss due to adjustment to IRES rate	(24)	–
Income/(expenses) recognised in equity	(303)	(556)
Non-recurring income/(expenses) recognised in equity due to adjustment to IRES rate	119	–
Change in scope of consolidation	–	–
Balance at 31 December	**(554)**	**(345)**

The 2015 Stability Law (Law 190/2014) permitted the deduction of personnel expenses for staff employed on permanent contracts from the IRAP tax base. In addition, in Circular 22E of 9 June 2015, the tax authorities clarified that "*Provisions relating to personnel expenses included in the financial statements for periods prior to the entry into effect of this legislation, which had not been considered deductible on the basis of existing rules governing IRAP, will be considered deductible – from the tax year following that underway at 31 December 2014 – if the event in respect of which they were included in the financial statements actually occurs. In addition, as the aforementioned provisions may have been included in the calculation of IRAP deducted for income tax calculation purposes, it will be necessary to re-calculate the IRAP deducted in previous years in relation to these events*". For this reason, net non-recurring income/(expense) related to deferred taxation recognised in profit or loss is due to deferred IRAP tax assets – in the amount of €24 million, in relation to past provisions that will be deductible in future, when they are actually utilised – and deferred IRES tax liabilities, in the amount of €7 million, due to the lower IRES rate determined in previous years, which will have to be paid when the IRAP provisions are released.

Furthermore, article 1 of the 2016 Stability Law (Law 208/2015), has cut the IRES rate to 24% from 1 January 2017 for financial years starting after 31 December 2016. For this reason, the accounts for the year ended 31 December 2015 show net non-recurring income recognised in profit or loss of €24 million and net non-recurring income for deferred taxation recognised in equity of €119 million, due to the adjustment to the new IRES rate of deferred taxation that will be utilised after 31 December 2016.

(63) The nominal IRAP rate is 3.90% for most taxpayers, 4.65% for banks and other financial entities and 5.90% for insurance companies (+/-0.92%, representing regional increases and cuts and + 0.15% representing an increase for regions that showed a healthcare deficit).

The following table shows a breakdown of movements in deferred tax assets and liabilities:

TAB. C13.6 – MOVEMENTS IN DEFERRED TAX ASSETS

Item *(€m)*	PPE and intangible assets	Depreciation and amortisation	Financial assets and liabilities	Provisions for impairments and value adjustments	Provisions for risks and charges	Trade and other receivables	Personnel expenses	Actuarial gains and losses on employee termination benefits	Other	Total
Balance at 1 January 2014	**55**	**15**	**163**	**93**	**256**	**2**	**2**	**1**	**86**	**673**
Income/(expenses) recognised in profit or loss	–	3	1	36	36	(3)	–	–	–	73
Income/(expenses) realigned through profit or loss	–	–	–	–	–	–	–	–	–	–
Income/(expenses) recognised in equity	–	–	(54)	–	–	–	–	35	(25)	(44)
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2014	**55**	**18**	**110**	**129**	**292**	**(1)**	**2**	**36**	**61**	**702**
Income/(expenses) recognised in profit or loss	1	1	(2)	(40)	44	1	–	–	5	10
Non-recurring income/(expenses) recognised in profit or loss	–	–	–	24	–	–	–	–	–	24
Income/(expenses) recognised in profit or loss due to adjustment to IRES rate	(6)	(2)	–	(3)	(14)	–	–	–	(6)	(31)
Income/(expenses) recognised in equity	–	–	(73)	–	–	–	–	–	–	(73)
Income/(expenses) recognised in equity due to adjustment to IRES rate	–	–	(4)	–	–	–	–	(4)	(1)	(9)
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2015	**50**	**17**	**31**	**110**	**322**	**–**	**2**	**32**	**59**	**623**

TAB. C13.7 – MOVEMENTS IN DEFERRED TAX LIABILITIES

Item *(€m)*	PPE	Intangible assets	Financial assets and liabilities	Gains	Actuarial gains and losses on employee termination benefits	Other	Total
Balance at 1 January 2014	**1**	**3**	**489**	**7**	**1**	**4**	**505**
Income/(expenses) recognised in profit or loss	–	(2)	20	(6)	–	18	30
Income/(expenses) realigned through profit or loss	–	–	–	–	–	–	–
Income/(expenses) recognised in equity	–	–	512	–	–	–	512
Balance at 31 December 2014	**1**	**1**	**1,021**	**1**	**1**	**22**	**1,047**
Income/(expenses) recognised in profit or loss	–	–	39	–	–	(11)	28
Non-recurring income/(expenses) recognised in profit or loss	–	–	–	–	–	7	7
Income/(expenses) recognised in profit or loss due to adjustment to IRES rate	–	–	(5)	–	–	(2)	(7)
Income/(expenses) recognised in equity	–	–	230	–	–	–	230
Income/(expenses) recognised in equity due to adjustment to IRES rate	–	–	(128)	–	–	–	(128)
Change in scope of consolidation	–	–	–	–	–	–	–
Balance at 31 December 2015	**1**	**1**	**1,157**	**1**	**1**	**16**	**1,177**

The increase in deferred tax liabilities related to financial assets and liabilities is due mainly to movements in the fair value reserve, as described in section B4.

At 31 December 2015, deferred tax assets and liabilities recognised directly in equity are as follows:

TAB. C13.8 – INCOME/(EXPENSE) RECOGNISED IN EQUITY

Item *(€m)*	**Increases/(decreases) in equity**	
	For the year ended 31 December 2015	**For the year ended 31 December 2014**
Fair value reserve for available-for-sale financial instruments	(198)	(534)
Cash flow hedge reserve	19	(32)
Actuarial gains /(losses) on employee termination benefits	(4)	35
Retained earnings from shareholder transactions	(1)	(25)
Total	**(184)**	**(556)**

Income tax expense calculated on actuarial gains on employee termination benefits recognised in equity decreased by €26 million. Therefore, the decrease of equity in the year under review due to income tax expense amounted to €210 million.

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[64].

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) and gains/losses on intermediation. All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated financial statements.

The following results, which are shown separately in accordance with management's views and with applicable accounting standards, should be read in light of the integration of the services offered by the sales force within the postal, financial and insurance businesses, also considering the obligation to carry out the Universal Postal Service.

(64) Postal and Business Services include also the activities performed by the various departments of the Parent Company in managing BancoPosta's ring-fenced capital and the other areas in which the Group operates. In addition, this segment includes the operations of Postel SpA, SDA SpA, Poste Tributi Scarl, Mistrail Air Srl and Postecom SpA. Financial Services refer to BancoPosta's activities provided for by Presidential Decree 144 of 14 March 2001, to which the ring-fenced capital is allocated within the Parent Company. In addition, this segment includes the operations of BdM-MCC SpA and BancoPosta Fondi SpA SGR. Insurance Services concern the operations of Poste Vita Group. Other Services include the mobile telephony operations of PosteMobile SpA. However, it should be borne in mind that, following recent organisational changes, starting from 2016, the allocation of certain companies to the relevant segments will vary. Specifically, BancoPosta Fondi SGR SpA, which is currently part of the Financial Services segment, will be allocated to Asset Management – i.e. the current Insurance Services – whilst Poste Tributi ScpA – currently part of Postal and Business Services – will be placed in the Financial Services segment.

For the year ended 31 December 2015 *(€m)*	Postal and Business Services	Financial Services	Insurance Services	Other Services	Adjustments and eliminations	Total
External revenue	3,893	5,188	21,415	243	–	30,739
Intersegment revenue	4,323	479	–	91	(4,893)	–
Total revenue	**8,216**	**5,667**	**21,415**	**334**	**(4,893)**	**30,739**
Depreciation, amortisation and impairments	(530)	(2)	(10)	(39)	–	(581)
Non-cash expenses	(28)	–	(12,360)	(5)	–	(12,393)
Total non-cash expenses	**(558)**	**(2)**	**(12,370)**	**(44)**	**–**	**(12,974)**
Operating profit/(loss)	**(568)**	**930**	**487**	**31**	**–**	**880**
Profit/(Loss) on investments accounted for using equity method	–	3	–	–	–	3
Finance income/(costs)						50
Income tax expense						(381)
Profit/(loss) for the year						**552**
Assets	**10,187**	**63,582**	**105,742**	**255**	**(3,930)**	**175,836**
Non-current assets	6,091	46,255	95,142	99	(2,229)	145,358
Current assets	4,096	17,327	10,600	156	(1,701)	30,478
Liabilities	**7,583**	**58,054**	**102,451**	**188**	**(2,098)**	**166,178**
Non-current liabilities	2,973	7,712	101,764	5	(450)	112,004
Current liabilities	4,610	50,342	687	183	(1,648)	54,174
Other information						
Capital expenditure	420	2	37	29	–	488
Investments accounted for using equity method	211	3	–	–	–	214

For the year ended 31 December 2014 *(€m)*	Postal and Business Services	Financial Services	Insurance Services	Other Services	Adjustments and eliminations	Total
External revenue	4,074	5,358	18,840	240	–	28,512
Intersegment revenue	4,584	404	1	85	(5,074)	–
Total revenue	**8,658**	**5,762**	**18,841**	**325**	**(5,074)**	**28,512**
Depreciation, amortisation and impairments	(614)	(2)	(7)	(48)	–	(671)
Non-cash expenses	(138)	(30)	(12,581)	(5)	–	(12,754)
Total non-cash expenses	**(752)**	**(32)**	**(12,588)**	**(53)**	**–**	**(13,425)**
Operating profit/(loss)	**(504)**	**766**	**415**	**14**	**–**	**691**
Profit/(Loss) on investments accounted for using equity method	(1)	–	–	–	–	(1)
Finance income/(costs)						7
Income tax expense						(485)
Profit/(loss) for the year						**212**
Assets	**11,337**	**59,322**	**92,298**	**267**	**(4,264)**	**158,960**
Non-current assets	6,206	41,770	81,537	108	(2,278)	127,343
Current assets	5,131	17,552	10,761	159	(1,986)	31,617
Liabilities	**8,551**	**54,979**	**89,254**	**194**	**(2,436)**	**150,542**
Non-current liabilities	3,092	5,594	88,738	7	(540)	96,891
Current liabilities	5,459	49,385	516	187	(1,896)	53,651
Other information						
Capital expenditure	363	3	15	56	–	437
Investments accounted for using equity method	1	–	–	–	–	1

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 31 December 2015, all entities consolidated on a line-by-line basis are based in Italy, as is the majority of their client base; revenue from foreign clients does not represent a significant percentage of total revenue.
Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.

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 2015

Name *(€m)*	Balance at 31 December 2015						
	Financial assets	**Trade receivables**	**Other assets Other receivables**	**Cash and cash equivalents**	**Financial liabilities**	**Trade payables**	**Other liabilities**
Subsidiaries							
Address Software Srl	–	–	–	–	–	1	–
Kipoint SpA	–	–	–	–	1	1	–
Joint ventures							
Uptime SpA	–	–	–	–	–	1	–
Associates							
Anima Holding Group	–	–	–	–	–	–	–
Other SDA group associates	–	2	–	–	–	–	–
Related parties external to the Group							
MEF	7,189	541	13	391	2	102	21
Cassa Depositi e Prestiti Group	3,764	397	–	–	78	11	–
Enel Group	79	45	–	–	–	12	–
Eni Group	140	15	–	–	–	12	–
Equitalia Group	–	56	–	–	–	1	8
Finmeccanica Group	14	–	–	–	–	30	–
Other related parties external to the Group	76	5	1	–	–	3	62
Provision for doubtful debts owing from external related parties	–	(157)	(10)	–	–	–	–
Total	**11,262**	**904**	**4**	**391**	**80**	**174**	**91**

At 31 December 2015, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €60 million (€65 million al 31 December 2014).

TAB. 3.5.2 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2014

Name (€m)	Balance at 31 December 2014						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	–	–	–	–	–	1	–
Kipoint SpA	–	–	–	–	–	1	–
Joint ventures							
Uptime SpA	–	–	–	–	–	2	–
Associates							
Other SDA group associates	–	2	–	–	–	–	–
Related parties external to the Group							
MEF	6,247	1,390	548	934	2	95	21
Cassa Depositi e Prestiti Group	2,553	901	–	–	508	8	–
Enel Group	80	49	–	–	–	8	–
Eni Group	128	18	–	–	–	13	–
Equitalia Group	–	51	–	–	–	6	–
Finmeccanica Group	26	–	–	–	–	28	–
Other related parties external to the Group	78	4	–	–	–	12	61
Provision for doubtful debts owing from external related parties	–	(170)	(11)	–	–	–	–
Total	**9,112**	**2,245**	**537**	**934**	**510**	**174**	**82**

TAB. 3.5.3 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2015

Name (€m)	For the year ended 31 December 2015									
	Revenue				Costs					
	Revenue from sales and services	Other operating income	Other income from financial and insurance activities	Finance income	Capital expenditure: Property, plant and equipment	Capital expenditure: Intangible assets	Current expenditure: Goods and services	Current expenditure: Personnel expenses	Current expenditure: Other operating costs	Current expenditure: Finance costs
Subsidiaries										
Address Software Srl	–	–	–	–	–	–	1	–	–	–
Kipoint SpA	–	–	–	–	–	–	1	–	–	–
Joint ventures										
Uptime SpA	–	–	–	–	–	–	6	–	–	–
Associates										
Anima Holding Group	–	–	–	–	–	–	–	–	–	–
Other SDA group associates	3	–	–	–	–	–	3	–	–	–
Related parties external to the Group										
MEF	563	3	–	2	–	–	2	–	(63)	–
Cassa Depositi e Prestiti Group	1,612	–	93	1	–	2	21	–	1	–
Enel Group	111	–	3	–	–	–	42	–	–	–
Eni Group	30	–	4	–	–	–	44	–	–	–
Equitalia Group	54	–	–	–	–	–	4	–	4	–
Finmeccanica Group	–	–	2	–	–	12	35	–	–	–
Other related parties external to the Group	17	3	2	–	–	1	14	40	3	1
Total	**2,390**	**6**	**104**	**3**	**–**	**15**	**173**	**40**	**(55)**	**1**

At 31 December 2015, net provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €9 million (€6 million al 31 December 2014).

TAB. 3.5.4 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2014

Name	For the year ended 31 December 2014									
	Revenue				Costs					
	Revenue from sales and services	Other operating income	Other income from financial and insurance activities	Finance income	Capital expenditure		Current expenditure			
					Property, plant and equipment	Intangible assets	Goods and services	Personnel expenses	Other operating costs	Finance costs
Subsidiaries										
Address Software Srl	–	–	–	–	–	–	2	–	–	–
Kipoint SpA	–	–	–	–	–	–	1	–	–	–
Joint ventures										
Uptime SpA	–	–	–	–	–	–	5	–	–	–
Associates										
Other SDA group associates	–	–	–	–	–	–	–	–	–	–
Related parties external to the Group										
MEF	631	1	–	5	–	–	1	–	59	–
Cassa Depositi e Prestiti Group	1,642	–	138	–	–	–	23	–	1	5
Enel Group	119	2	3	–	–	–	30	–	–	–
Eni Group	35	–	4	–	–	–	52	–	(2)	–
Equitalia Group	63	–	–	–	–	–	4	–	–	–
Finmeccanica Group	–	–	1	–	–	7	34	–	–	–
Other related parties external to the Group	23	4	2	–	–	–	17	40	4	–
Total	**2,513**	**7**	**148**	**5**	**–**	**7**	**169**	**40**	**62**	**5**

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, with reference to previous years, for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, for collection of tax returns and for collection and accounting of electronic payments.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits. The costs incurred with the CDP Group refer mainly to software maintenance and electronic payment card management services performed by SIA SpA.
- 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, as well as collection and accounting for electric utility payments. 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 and collection and accounting for utility payments. 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, members of the Board of Statutory Auditors, managers at the first organisational level of the Parent Company and Poste Italiane's manager responsible for financial reporting. The related remuneration – not including that of the Board of Statutory Auditors, which are shown separately, gross of expenses and social security contributions, of such key management personnel as defined above is as follows (€000):

TAB. 3.5.5 – REMUNERATION OF KEY MANAGEMENT PERSONNEL

Item *(€000)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Remuneration to be paid in short/medium term	18,796	13,486
Post-employment benefits	–	147
Other benefits to be paid in longer term	–	–
Termination benefits	–	14,310
Total	**18,796**	**27,943**

TAB. 3.5.6 – REMUNERATION OF STATUTORY AUDITORS

Item *(€000)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Remuneration	1,537	1,538
Expenses	109	164
Total	**1,646**	**1,702**

No loans were granted to key management personnel during 2015 and at 31 December 2015, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with staff pensions funds

The Parent Company and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's By-laws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. The Fund's Board of Directors takes decisions including:

- the general criteria for the allocation of risk in terms of investments and investment policies;
- the choice of fund manager and custodian bank.

3.6 OTHER INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

Analysis of net (debt)/funds

At 31 December 2015, the Poste Italiane Group's net (debt)/funds is as follows:

TAB. 3.6.1 – NET (DEBT)/FUNDS

Balance at 31 December 2015 *(€m)*	**Postal and Business Services**	**Financial Services**	**Insurance Services**	**Other Services**	**Eliminations**	**Balance at 31 December 2015**	***of which, related parties***
Financial liabilities	**(2,442)**	**(55,410)**	**(1,218)**	**(4)**	**1,596**	**(57,478)**	
Postal current accounts	–	(43,755)	–	–	287	(43,468)	*(1)*
Bonds	(811)	(479)	(758)	–	–	(2,048)	–
Borrowings from financial institutions	(917)	(6,101)	–	–	–	(7,018)	*(77)*
Other borrowings	(1)	–	–	–	–	(1)	*(1)*
Finance leases	(6)	–	–	(4)	–	(10)	–
Derivative financial instruments	(52)	(1,547)	–	–	–	(1,599)	–
Other financial liabilities	(14)	(3,314)	(6)	–	–	(3,334)	*(2)*
Intersegment financial liabilities	(641)	(214)	(454)	–	1,309	–	*1*
Technical provisions for insurance business	**–**	**–**	**(100,314)**	**–**	**–**	**(100,314)**	**–**
Financial assets	**1,390**	**57,633**	**102,350**	**26**	**(1,309)**	**160,090**	
Loans and receivables	141	10,301	66	–	–	10,508	*8,724*
Held-to-maturity financial assets	–	12,886	–	–	–	12,886	–
Available-for-sale financial assets	581	33,417	83,871	–	–	117,869	*1,969*
Financial assets at fair value through profit or loss	–	–	18,132	–	–	18,132	*569*
Derivative financial instruments	–	450	245	–	–	695	–
Intersegment financial assets	668	579	36	26	(1,309)	–	*1*
Technical provisions for claims attributable to reinsurers	**–**	**–**	**58**	**–**	**–**	**58**	**–**
Net financial assets/(liabilities)	**(1,052)**	**2,223**	**876**	**22**	**287**	**2,356**	
Cash and deposits attributable to BancoPosta	**–**	**3,161**	**–**	**–**	**–**	**3,161**	**–**
Cash and cash equivalents	**1,316**	**489**	**1,608**	**16**	**(287)**	**3,142**	***391***
Net (debt)/funds	**264**	**5,873**	**2,484**	**38**	**–**	**8,659**	

TAB. 3.6.2 – NET (DEBT)/FUNDS

Balance at 31 December 2014 *(€m)*	**Postal and Business Services**	**Financial Services**	**Insurance Services**	**Other Services**	**Eliminations**	**Balance at 31 December 2014**	***of which, related parties***
Financial liabilities	**(3,434)**	**(52,529)**	**(1,305)**	**(6)**	**1,915**	**(55,359)**	
Postal current accounts	–	(40,927)	–	–	312	(40,615)	–
Bonds	(809)	(479)	(757)	–	–	(2,045)	–
Borrowings from financial institutions	(1,751)	(6,660)	–	–	–	(8,411)	*(505)*
Other borrowings	(3)	–	–	–	–	(3)	*(3)*
Finance leases	(8)	–	–	(6)	–	(14)	–
Derivative financial instruments	(58)	(1,721)	–	–	–	(1,779)	–
Other financial liabilities	(15)	(2,474)	(3)	–	–	(2,492)	*(2)*
Intersegment financial liabilities	(790)	(268)	(545)	–	1,603		
Technical provisions for insurance business	**–**	**–**	**(87,220)**	**–**	**–**	**(87,220)**	**–**
Financial assets	**1,648**	**52,521**	**90,102**	**21**	**(1,603)**	**142,689**	**–**
Loans and receivables	256	8,618	23	–	–	8,897	*6,263*
Held-to-maturity financial assets	–	14,100	–	–	–	14,100	–
Available-for-sale financial assets	581	29,553	77,013	–	–	107,147	*2,298*
Financial assets at fair value through profit or loss	–	–	12,155	–	–	12,155	*551*
Derivative financial instruments	–	182	208	–	–	390	–
Intersegment financial assets	811	68	703	21	(1,603)	–	*1*
Technical provisions for claims attributable to reinsurers	**–**	**–**	**54**	**–**	**–**	**54**	**–**
Net financial assets/(liabilities)	**(1,786)**	**(8)**	**1,631**	**15**	**312**	**164**	**–**
Cash and deposits attributable to BancoPosta	**–**	**2,873**	**–**	**–**	**–**	**2,873**	**–**
Cash and cash equivalents	**305**	**1,040**	**656**	**15**	**(312)**	**1,704**	***934***
Net (debt)/funds	**(1,481)**	**3,905**	**2,287**	**30**	**–**	**4,741**	**–**

At 31 December 2015, the fair value reserves related to available-for-sale financial assets, not including tax effects, amount to €3,775 million (€2,651 million at 31 December 2014).

ESMA net financial indebtedness

An analysis of the industrial net funds/(debt) of the Postal and Business Services and Other Services segments at 31 December 2015, in accordance with ESMA guidelines, computed on the basis of paragraph 127 of the recommendations contained in ESMA document 319 of 2013, is provided below:

(€m)	at 31 December 2015	at 31 December 2014
A. Cash	2	3
B. Other cash equivalents	1,330	317
C. Securities held for trading	–	–
D. Liquidity (A+B+C)	**1,332**	**320**
E. Current loans and receivables	**169**	**183**
F. Current bank borrowings	(516)	(1,351)
G. Current portion of non-current debt	(14)	(13)
H. Other current financial liabilities	(21)	(24)
I. Current financial debt (F+G+H)	**(551)**	**(1,388)**
J. Current net funds/(debt) (I+E+D)	**950**	**(885)**
K. Non-current bank borrowings	(400)	(400)
L. Bond issues	(798)	(796)
M. Other non-current liabilities	(56)	(66)
N. Non current financial debt (K+L+M)	**(1,254)**	**(1,262)**
O. Industrial net funds/(debt) (ESMA guidelines) (J+N)	**(304)**	**(2,147)**
Non-current financial assets	553	654
Industrial net funds/(debt)	**249**	**(1,493)**
Intersegment loans and receivables	668	811
Intersegment financial liabilities	(615)	(769)
Industrial net funds/(debt) including intersegment transactions	**302**	**(1,451)**
of which:		
– Postal and Business Services	*264*	*(1,481)*
– Other	*38*	*30*

Determination of fair value

The fair value measurement techniques used by the Poste Italiane Group are described in note 2.5. This section provides additional information regarding determination of the fair value of the financial assets and liabilities recognised at their fair value. Additional information related to financial assets and liabilities recognised at their amortised cost is provided in the respective notes.

The table below breaks down the fair value of financial assets and liabilities by level in the fair value hierarchy:

POSTE ITALIANE GROUP – FAIR VALUE HIERARCHY

Item (€m)	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale financial assets	113,767	3,623	479	117,869	102,325	4,574	248	107,147
Equity instruments	8	70	117	195	9	56	5	70
Fixed-income instruments	113,753	2,299	–	116,052	102,311	3,268	–	105,579
Other investments	6	1,254	362	1,622	5	1,250	243	1,498
Financial assets at FV through profit or loss	8,067	10,065	–	18,132	7,273	4,882	–	12,155
Fixed-income instruments	7,537	22	–	7,559	7,273	96	–	7,369
Structured bonds	–	1,346	–	1,346	–	2,368	–	2,368
Other investments	530	8,697	–	9,227	–	2,418	–	2,418
Derivative financial instruments	–	695	–	695	–	390	–	390
Balance at 31 December	**121,834**	**14,383**	**479**	**136,696**	**109,598**	**9,846**	**248**	**119,692**
Financial liabilities								
Financial liabilities at fair value	–	–	–	–	–	–	–	–
Derivative financial instruments	–	(1,599)	–	(1,599)	–	(1,779)	–	(1,779)
Balance at 31 December	**–**	**(1,599)**	**–**	**(1,599)**	**–**	**(1,779)**	**–**	**(1,779)**

Details of transfers of financial instruments measured at fair value between level 1 and level 2 of the hierarchy on a recurring basis are as follows.

TRANSFERS FROM LEVEL 1 TO LEVEL 2

Item (€m)	At 31 December 2015	
	Level 1	Level 2
Transfers of financial assets	**(320)**	**320**
Available-for-sale financial assets		
Equity instruments	–	–
Fixed-income instruments	(301)	301
Other investments	–	–
Financial assets at FV through profit or loss		
Fixed-income instruments	(19)	19
Structured bonds	–	–
Other investments	–	–
Transfers of financial liabilities	**–**	**–**
Financial liabilities at fair value	–	–
Derivative financial instruments	–	–
Net transfers from level 1 to level 2	**(320)**	**320**

The reclassifications in question relate to financial assets held primarily by Poste Vita SpA and result from implementation of the Group's new Fair Value Policy. In particular, transfers of bonds from level 1 to level 2 are due to the application of stricter standards for the definition of a "liquid and active" market, a feature that is measured mainly by reference to the bid-ask spread. The transfers of available-for-sale financial assets include bonds issued by CDP SpA, totalling approximately €197 million, and coupon-stripped Italian government bonds, mainly relating to hedges of Class I products.

TRANSFERS FROM LEVEL 2 TO LEVEL 1

Item *(€m)*	**At 31 December 2015**	
	Level 1	**Level 2**
Transfers of financial assets	**108**	**(108)**
Available-for-sale financial assets		
Equity instruments	–	–
Fixed-income instruments	68	(68)
Other investments	–	–
Financial assets at FV through profit or loss		
Fixed-income instruments	40	(40)
Structured bonds	–	–
Other investments	–	–
Transfers of financial liabilities	**–**	**–**
Financial liabilities at fair value	–	–
Derivative financial instruments	–	–
Transfers from level 2 to level 1	**108**	**(108)**

Reclassifications from level 2 to level 1 concerned corporate bonds recognised as available-for-sale financial assets and coupon-stripped Italian government bonds given that the liquidity of the markets where they are traded justified their transition to level 1.

Reconciliation of the opening and closing balances of financial instruments measured at fair value on a recurring basis, classified in level 3, is shown below.

POSTE ITALIANE GROUP – MOVEMENTS IN FINANCIAL INSTRUMENTS AT FAIR VALUE (LEVEL 3)

Item (€m)	Financial assets			
	Available-for-sale financial assets	Financial assets at FV through profit or loss	Derivative financial instruments	Total
Balance at 1 January 2014	**292**	**–**	**–**	**292**
Purchases/Issues	48	–	–	48
Sales/Extinguishment of initial accruals	(30)	–	–	(30)
Redemptions	–	–	–	–
Movements in fair value through profit or loss	–	–	–	–
Movements in fair value through equity	15	–	–	15
Transfers to profit or loss	–	–	–	–
Gains/Losses in profit or loss due to sales	(2)	–	–	(2)
Transfers to level 3	–	–	–	–
Transfers to other levels	–	–	–	–
Movements in amortised cost	–	–	–	–
Impairments	(75)	–	–	(75)
Other movements (including accruals at the end of the period)	–	–	–	–
Balance at 31 December 2014	**248**	**–**	**–**	**248**
Purchases/Issues	151	–	–	151
Sales/Extinguishment of initial accruals	(49)	–	–	(49)
Redemptions	–	–	–	–
Movements in fair value through profit or loss	–	–	–	–
Movements in fair value through equity	129	–	–	129
Transfers to profit or loss	–	–	–	–
Gains/Losses in profit or loss due to sales	–	–	–	–
Transfers to level 3	–	–	–	–
Transfers to other levels	–	–	–	–
Movements in amortised cost	–	–	–	–
Impairments	–	–	–	–
Other movements (including accruals at the end of the period)	–	–	–	–
Balance at 31 December 2015	**479**	**–**	**–**	**479**

Movements during the year relate to purchases and sales of financial instruments held by the Group's insurance companies and almost entirely consisting of units of closed-end private equity funds and real estate funds. In the case of these instruments, the fair value of the underlying, represented by unlisted equities and investment property, cannot be determined on the basis of observable inputs. Therefore, as measurement of these instruments is analytical, the non-observable inputs that determine significant changes in their fair value depend on the specific valuation methodologies applicable to private equity funds and real estate funds. For example, attention is paid to the economic context in which the funds' portfolio companies operate, their operating costs and their revenue, while for properties the focus is on the prices at which they are bought and sold in the markets of reference and/or generated and expected cash flows. On the other hand, the net asset value of private equity funds – as reflected in their audited financial statements made available quarterly and adjusted by Poste Vita, partly on the basis of the units outstanding and any dividends paid – shows a positive correlation with key indicators for the industries in which the funds have the largest exposures (energy, small and medium enterprises, corporate restructuring). Specifically, private equity investments are positively linked to the real performance of the overall economy and equity indices on which the shares of listed companies belonging to the same economic sector are quoted. The net asset value of the real estate funds, which are also subject to adjustments by the Company, depends on the performance

of the European property market, especially office buildings, which constitute the bulk of the investments made by the real estate funds in which it has invested.
In addition, the increase in value of the financial instruments in question was due to the recognition at fair value, in the amount of €111 million, of the interest in Visa Europe Ltd, assigned to Poste Italiane SpA when the company was established and recognised at its nominal value of €10.00 (table A5.2).

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[65].

In particular, the disclosures in question concern the following positions at 31 December 2015:

- derivative assets and liabilities and related collateral, represented by both cash and government securities;
- repurchase and reverse repurchase agreements and related collateral, represented by both cash and government securities;
- borrowings and related government securities provided as collateral for transactions entered into by BdM-MCC SpA with the ECB.

FINANCIAL ASSETS/LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION OR THAT ARE SUBJECT TO A MASTER NETTING AGREEMENT OR SIMILAR ARRANGEMENTS

Description *(€m)*	Gross amount of financial assets(*) (a)	Gross amount of financial liabilities(*) (b)	Amount of financial (liabilities)/ assets that have been offset (c)	Financial assets/ (liabilities), net (d=a+b+c)	Related amounts not offset			Financial assets/ (liabilities), net (h=d+e+f+g)
					Financial instruments transferred or provided as collateral (e)	Collateral		
						Securities provided/ (received) as collateral (f)	Cash deposits provided/ (received) as collateral (g)	
For the year ended 31 December 2015								
Derivatives	450	(1,599)	–	(1,149)	–	349	779	(21)
Repurchase agreements	417	(5,405)	–	(4,988)	4,987	–	(1)	(2)
Other	–	(897)	–	(897)	897	–	–	–
Total at 31 December 2015	**867**	**(7,901)**	**–**	**(7,034)**	**5,884**	**349**	**778**	**(23)**
For the year ended 31 December 2014								
Derivatives	182	(1,779)	–	(1,597)	–	742	809	(46)
Repurchase agreements	–	(6,204)	–	(6,204)	6,203	–	–	(1)
Other	–	(890)	–	(890)	837	–	–	(53)
Total at 31 December 2014	**182**	**(8,873)**	**–**	**(8,691)**	**7,040**	**742**	**809**	**(100)**

(*) 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.

(65) 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."

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 2015, these assets concern the repurchase agreements entered into by the Parent Company with primary financial intermediaries.

POSTE ITALIANE GROUP – TRANSFER OF FINANCIAL ASSETS THAT ARE NOT DERECOGNISED

Item *(€m)*	Note	At 31 December 2015			At 31 December 2014		
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial Services							
Held-to-maturity financial assets	[A5]	4,072	4,101	4,621	5,374	5,415	6,089
Available-for-sale financial assets	[A5]	497	544	544	–	–	–
Financial liabilities arising from repos	[B8]	(4,885)	(4,895)	(4,949)	(5,613)	(5,639)	(5,663)
Postal and business services							
Held-to-maturity financial assets		–	–	–	–	–	–
Available-for-sale financial assets	[A5]	450	510	510	500	569	569
Financial liabilities arising from repos	[B8]	(510)	(510)	(510)	(564)	(564)	(564)
Total		**(376)**	**(250)**	**216**	**(303)**	**(219)**	**431**

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 *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Post office savings books	118,721	114,359
Interest-bearing Postal Certificates	206,114	211,333
Cassa Depositi e Prestiti	135,497	139,815
MEF	70,617	71,518
Total	**324,835**	**325,692**

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 *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Collective investment funds		
Funds managed by the Group	5,625	1,895
Funds managed by third parties	109	3,153
Total	**5,734**	**5,048**

Average assets under management by the Group, in proprietary and third parties' mutual funds, amount to €5,342 million. 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 *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Purchase commitments		
Property leases	539	581
Purchases of property, plant and equipment	52	61
Purchases of intangible assets	32	29
Investment property	–	–
Vehicle leases	61	49
Other leases	15	25
Committed lines of credit		
Loans agreed to be disbursed	58	68
Total	**757**	**813**

For 2016, Poste Energia SpA, which was merged with and into EGI SpA at 30 December 2015, gave a commitment to purchase electricity on regulated forward markets with a total value of €12.6 million. At 31 December 2015, the corresponding market value is €12.4 million.

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) – COMMITMENTS FOR PROPERTY LEASES

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Instalments falling due:		
within 1 year of the reporting date	151	163
between 2 and 5 years after the reporting date	337	359
more than 5 years after the reporting date	51	59
Total	**539**	**581**

Guarantees

Unsecured guarantees issued by the Group are as follows:

TAB. 3.7.4 – GUARANTEES

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	281	261
by the Group in its own interests in favour of third parties	–	–
Total	**281**	**261**

Third-party assets

TAB. 3.7.5 – THIRD-PARTY ASSETS

Item (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Bonds subscribed by customers held at third-party banks	5,592	7,747
Other assets	3	22
Total	**5,595**	**7,769**

Assets in the process of allocation

At 31 December 2015, the Parent Company had paid a total of €119 million 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

The following table shows fees, in thousands of euros, broken down by type of service, payable to PricewaterhouseCoopers SpA and companies within its network for 2015.

TAB. 3.7.6 – DISCLOSURE OF FEES PAID TO INDEPENDENT AUDITORS

Item (€000)	Entity providing the service	Fees(*)
Audit(**)	PricewaterhouseCoopers SpA	2,388
	PricewaterhouseCoopers network	–
Attestation services	PricewaterhouseCoopers SpA	1,827
	PricewaterhouseCoopers network	–
Other services	PricewaterhouseCoopers SpA	55
	PricewaterhouseCoopers network	–
Total		**4,270**

(*) The above amounts do not include incidental expenses and charges.

(**) The amounts shown do not include fees for auditing services performed in respect of funds managed by BancoPostaFondi SGR SpA and payable by investors, amounting to €85 thousand.

Auditing services are expensed as incurred and reported in the audited financial statements. This item reflects, for 2015, additional services for €100 thousand, as approved by the shareholders at the Annual General Meeting of the Parent Company on 24 May 2016.

The attestation services rendered by PricewaterhouseCoopers SpA regarded mainly the engagement performed in connection with Poste Italiane's IPO.

In addition, fees paid in 2015 for auditing services provided by firms other than PricewaterhouseCoopers SpA amounted to €128 thousand.

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – *Consolidated Financial Statements*. However, these funds qualify as unconsolidated structured entities. A structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.
At 31 December 2015, the above definition encompasses the following:

- *BlackRock MultiAssets diversified distribution fund* (Open-end Fund)
- *MFX – Global Multi – Asset Income Fund – PIMCO* (Open-end Fund)
- *Advance Capital Energy Fund* (Closed-end Fund)
- *Piano 400 Fund Deutsche Bank* (Open-end Fund)
- *Tages Capital Platinum* (Open-end Fund)
- *Tages Platinum Growth* (Open-end Fund)
- *Shopping Property Fund 2 Feeder SA-SICAV-SIF*

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government bonds and euro-denominated corporate bonds. Details are provided below.

ISIN *(€m)*	**Name**	**Nature of entity**	**Activity of the Fund**	**% investment**	**NAV**	
					At	**Amount**
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100%	31 December 2015	4,733
LU1193254122	MFX – GLOBAL FUND – ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100%	30 December 2015	3,873
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Closed-end non-harmonised fund of funds	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86,21%	31 December 2015	24
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Open-end harmonised UCITS	Investment in a mix of asset classes, especially debt instruments of various sectors and countries	100%	30 December 2015	500
IT0004801996	TAGES CAPITAL PLATINUM	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100%	30 November 2015	216
IT0004937691	TAGES PLATINUM GROWTH	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100%	30 November 2015	132
LU1081427665	SHOPPING PROPERTY FUND 2	Closed-end harmonised fund	Invests in Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	63,27%	31 December 2015	62

Nature of the risk

The company's investments in the funds in question are reported at fair value (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies (Separately Managed Accounts) and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Details are provided below.

ISIN (€m)	Name	Classification	Carrying amount	Maximum loss exposure(*)	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Financial asset FVPL	4,733	709	4,024	Analytical VaR 99.5% annualised
LU1193254122	MFX – GLOBAL FUND – ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial asset FVPL	3,873	515	3,358	Analytical VaR 99.5% over 1-year
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Available-for-sale financial assets	21	10	11	VaR 99.5% over a 1-year time horizon
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Available-for-sale financial assets	500	1	499	Change between market price as of reporting date and nominal value
IT0004801996	TAGES CAPITAL PLATINUM	Available-for-sale financial assets	216	57	159	VaR 99.5% over a 1-year time horizon
IT0004937691	TAGES PLATINUM GROWTH	Available-for-sale financial assets	132	22	110	VaR 99.5% over a 1-year time horizon
LU1081427665	SHOPPING PROPERTY FUND 2	Available-for-sale financial assets	40	15	25	Analytical VaR 99.5% annualised

(*) Maximum loss is estimated without considering the ability of liabilities to offset losses, thus representing a more prudential estimate.

The table below shows the types of financial instruments in which the BlackRock and MFX – PIMCO Funds invest and the main markets of reference.

Asset class *(€m)*	Fair value
Financial instruments	
Equity instruments	511
Government bonds	1,620
Corporate bonds	2,435
Cash	110
Other investments (Funds, etc.)	147
Derivatives	
Forwards	(92)
Futures	3
Swaps	(1)
Total	**4,733**

Market traded on and UCITS	Fair value
Dublin	140
Luxembourg	71
Singapore	3
London	213
Eurotlx	55
Euromtf	170
Euronext	57
Germany (Frankfurt, Berlin, Munich)	690
Trace	746
New York	1,411
Other	1,030
Funds	147
Total	**4,733**

MFX – GLOBAL FUND – ASSET GLOBAL FUND (PIMCO MULTI ASSET)

Asset class *(€m)*	**Fair value**
Financial instruments	
Equity instruments	184
Government bonds	1,275
Corporate bonds	2,305
Cash	(8)
Other investments (Funds, etc.)	77
Derivatives	
Futures	53
Swaps	(13)
Total	**3,873**

Market traded on and UCITS	**Fair value**
Hong Kong	24
Dublin	208
Paris	7
Luxembourg	91
London	329
Eurotlx	166
Euromtf	75
Euronext	114
Germany (Frankfurt, Berlin, Munich)	674
Trace	401
Tokyo	134
New York	739
Other	834
Funds	77
Total	**3,873**

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) *(€000)*	% interest	Share capital	Profit / (loss) for the year	Equity
BancoPosta Fondi SpA SGR (Rome)	100.00%	12,000	16,496	56,820
Banca del Mezzogiorno – MedioCredito Centrale SpA (Rome)	100.00%	364,509	32,427	425,511
Consorzio Logistica Pacchi ScpA (Rome)	100.00%	516	–	516
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome)(*)	100.00%	120	–	120
Consorzio PosteMotori (Rome)	80.75%	120	–	120
Europa Gestioni Immobiliari SpA (Rome)	100.00%	103,200	943	233,833
Mistral Air Srl (Rome)(**)	100.00%	1,000	573	4,577
PatentiViaPoste ScpA (Rome)(*)	86.86%	120	(1)	120
Postecom SpA (Rome)	100.00%	6,450	77	21,003
PosteMobile SpA (Rome)	100.00%	32,561	18,726	66,657
Poste Tributi ScpA (Rome)(*)	90.00%	2,583	–	2,543
PosteTutela SpA (Rome)	100.00%	153	258	12,662
Poste Vita SpA (Rome)(*)	100.00%	1,216,608	388,421	3,283,955
Poste Assicura SpA (Rome)(*)	100.00%	25,000	8,954	65,225
Postel SpA (Rome)	100.00%	20,400	(3,535)	103,265
PosteShop SpA (Rome)(**)	100.00%	500	595	1,895
SDA Express Courier SpA (Rome)(**)	100.00%	10,000	(39,322)	498
SDS System Data Software Srl (Rome)(*)	100.00%	16	269	2,816
SDS Nuova Sanità Srl (Rome)(*)	100.00%	15	118	897

(*) The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those available in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.

(**) Poste Italiane SpA is committed to providing financial support to the subsidiaries, SDA Express Courier SpA, Mistral Air Srl and PosteShop SpA at least until 31 December 2016.
Italia Logistica Srl was merged with and into SDA Express Courier SpA, effective 1 June 2015 for tax and accounting purposes. The period loss, related to the first 5 months of 2015, was €1,376 thousand.
Poste Energia SpA was merged with and into Europa Gestioni Immobiliari SpA, effective 31 December 2015 for tax and accounting purposes. Profit for the period amounted to €418 thousand.

TAB. 3.8.2 – LIST OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name (Registered office) *(€000)*	**Carrying amount**	**% interest**	**Assets**	**Liabilities**	**Equity**	**Revenue and income**	**Profit / (loss) for the year**
Address Software Srl (Roma)	200	51.00%	1,357	966	391	1,506	36
Anima Holding SpA (Milan)[a]	213,229	10.32%	1,196,719	434,786	761,933	664,429[*]	95,851
Conio Inc. (San Francisco)		0.00%					
ItaliaCamp Srl (Rome)[b]	4	20.00%	290	269	21	214	3
Kipoint SpA (Rome)	495	100.00%	2,729	2,234	495	4,197	133
Programma Dinamico SpA (Rome)[c]	–	0.00%	272	153	119	126	(28)
Uptime SpA (Rome)[b]	–	28.57%	4,302	4,125	177	5,817	(6)
Other SDA Express Courier associates[d]	9						

(a) Data derived from the consolidated accounts for the period ended 30 September 2015, the latest approved by the company.

(b) Data derived from the accounts for the period ended 31 December 2014, the latest approved by the company.

(c) Data derived from the accounts for the period ended 31 December 2013; Group companies do not hold any equity interests in Programma Dinamico SpA.

(d) The other associates of the SDA Express Courier Group are: Epiemme srl (dormant), International Speedy Srl (in liquidation), MDG Express Srl, Speedy Express Courier Srl and T.W.S. Express Courier Srl.

(*) The amount includes commissions, interest income and other similar income.

3.9 EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period are described in the above notes and there are no other significant events occurring after 31 December 2015.

4

Poste Italiane SpA Separate financial statements

for the year ended

31 December 2015

Summary

POSTE ITALIANE SPA
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4.1 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

ASSETS *(€)*	**Note**	**2015**	*of which, related party transactions*	**2014**	*of which, related party transactions*
Non-current assets					
Property, plant and equipment	[A1]	2,074,370,693	–	2,171,536,959	–
Investment property	[A2]	60,828,032	–	66,764,604	–
Intangible assets	[A3]	374,346,738	–	375,116,844	–
Investments	[A4]	2,204,019,035	*2,204,019,035*	2,029,998,976	*2,029,998,976*
Financial assets attributable to BancoPosta	[A5]	43,214,825,954	*1,500,064,238*	39,097,602,730	–
Financial assets	[A6]	953,364,988	*400,000,000*	1,103,013,684	*450,944,876*
Trade receivables	[A7]	5,000,000	–	50,265,090	–
Deferred tax assets	[C10]	502,185,920	–	583,426,532	–
Other receivables and assets	[A8]	866,177,199	*1,465,574*	730,721,883	*1,465,574*
Total		**50,255,118,559**		**46,208,447,302**	
Current assets					
Trade receivables	[A7]	2,136,938,455	*1,182,136,389*	3,437,589,531	*2,493,561,420*
Current tax assets	[C10]	33,037,579	–	603,865,948	–
Other receivables and assets	[A8]	832,037,455	*5,140,667*	1,464,208,245	*538,278,698*
Financial assets attributable to BancoPosta	[A5]	11,407,328,893	*7,185,619,804*	11,188,971,013	*6,130,102,553*
Financial assets	[A6]	576,863,696	*412,395,498*	648,254,841	*582,385,760*
Cash and deposits attributable to BancoPosta	[A9]	3,160,654,030	–	2,873,042,628	–
Cash and cash equivalents	[A10]	1,519,732,866	*390,911,052*	985,535,946	*933,565,737*
Total		**19,666,592,974**		**21,201,468,152**	
TOTAL ASSETS		**69,921,711,533**		**67,409,915,454**	

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

LIABILITIES AND EQUITY *(€)*	Note	2015	*of which, related party transactions*	2014	*of which, related party transactions*
Equity					
Share capital	[B1]	1,306,110,000	–	1,306,110,000	–
Reserves	[B3]	3,826,038,095	–	2,933,893,062	–
Retained earnings		2,514,289,615	–	2,264,920,280	–
Total		**7,646,437,710**		**6,504,923,342**	
Non-current liabilities					
Provisions for risks and charges	[B4]	568,950,071	*49,900,737*	542,844,721	*53,450,363*
Employee termination benefits	[B5]	1,319,863,214	–	1,434,433,073	–
Financial liabilities attributable to BancoPosta	[B6]	4,930,051,750	–	3,223,831,167	–
Financial liabilities	[B7]	1,245,490,530	–	1,252,463,322	*1,030,819*
Deferred tax liabilities	[C10]	977,014,825	–	858,201,983	–
Other liabilities	[B9]	861,126,059	*6,550,690*	705,029,836	*3,068,742*
Total		**9,902,496,449**		**8,016,804,102**	
Current liabilities					
Provisions for risks and charges	[B4]	728,854,041	*10,570,973*	703,960,650	*12,009,196*
Trade payables	[B8]	1,229,523,982	*419,958,662*	1,222,090,296	*442,622,390*
Current tax liabilities	[C10]	32,519,074	–	–	–
Other liabilities	[B9]	1,473,866,252	*119,118,319*	1,433,809,578	*97,464,590*
Financial liabilities attributable to BancoPosta	[B6]	48,305,103,683	*222,957,889*	47,275,327,192	*591,132,675*
Financial liabilities	[B7]	602,910,342	*73,126,907*	2,253,000,294	*889,734,658*
Total		**52,372,777,374**		**52,888,188,010**	
TOTAL LIABILITIES AND EQUITY		**69,921,711,533**		**67,409,915,454**	

STATEMENT OF FINANCIAL POSITION (continued)

Supplementary statement showing BancoPosta RFC at 31 December 2015

ASSETS (€)	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Non-current assets					
Property, plant and equipment		2,074,370,693	–	–	2,074,370,693
Investment property		60,828,032	–	–	60,828,032
Intangible assets		374,346,738	–	–	374,346,738
Investments		2,204,019,035	–	–	2,204,019,035
Financial assets attributable to BancoPosta	[A5]	–	43,214,825,954	–	43,214,825,954
Financial assets		953,364,988	–	–	953,364,988
Trade receivables		5,000,000	–	–	5,000,000
Deferred tax assets	[C10]	372,272,273	129,913,647	–	502,185,920
Other receivables and assets	[A8]	150,449,722	715,727,477	–	866,177,199
Total		**6,194,651,481**	**44,060,467,078**	**–**	**50,255,118,559**
Current assets					
Trade receivables	[A7]	1,341,670,235	795,268,220	–	2,136,938,455
Current tax assets	[C10]	83,949,520	81,412	(50,993,353)	33,037,579
Other receivables and assets	[A8]	267,315,769	564,721,686	–	832,037,455
Financial assets attributable to BancoPosta	[A5]	–	11,407,328,893	–	11,407,328,893
Financial assets		576,863,696	–	–	576,863,696
Cash and deposits attributable to BancoPosta	[A9]	–	3,160,654,030	–	3,160,654,030
Cash and cash equivalents	[A10]	1,118,704,353	401,028,513	–	1,519,732,866
Total		**3,388,503,573**	**16,329,082,754**	**(50,993,353)**	**19,666,592,974**
Non-current assets held for sale		**–**	**–**	**–**	**–**
Intersegment relations net amount		(297,850,971)	–	297,850,971	–
TOTAL ASSETS		**9,285,304,083**	**60,389,549,832**	**246,857,618**	**69,921,711,533**

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]	317,592,249	3,508,445,846	–	3,826,038,095
Retained earnings		980,582,038	1,533,707,577	–	2,514,289,615
Total		**2,604,284,287**	**5,042,153,423**	**–**	**7,646,437,710**
Non-current liabilities					
Provisions for risks and charges	[B4]	242,037,277	326,912,794	–	568,950,071
Employee termination benefits	[B5]	1,300,825,437	19,037,777	–	1,319,863,214
Financial liabilities attributable to BancoPosta	[B6]	–	4,930,051,750	–	4,930,051,750
Financial liabilities		1,245,490,530	–	–	1,245,490,530
Deferred tax liabilities	[C10]	9,822,533	967,192,292	–	977,014,825
Other liabilities	[B9]	69,619,980	791,506,079	–	861,126,059
Total		**2,867,795,757**	**7,034,700,692**	**–**	**9,902,496,449**
Current liabilities					
Provisions for risks and charges	[B4]	671,474,487	57,379,554	–	728,854,041
Trade payables	[B8]	1,164,978,977	64,545,005	–	1,229,523,982
Current tax liabilities	[C10]	–	83,512,427	(50,993,353)	32,519,074
Other liabilities	[B9]	1,373,860,233	100,006,019	–	1,473,866,252
Financial liabilities attributable to BancoPosta	[B6]	–	48,305,103,683	–	48,305,103,683
Financial liabilities		602,910,342	–	–	602,910,342
Total		**3,813,224,039**	**48,610,546,688**	**(50,993,353)**	**52,372,777,374**
Intersegment relations net amount		**–**	**(297,850,971)**	**297,850,971**	**–**
TOTAL LIABILITIES AND EQUITY		**9,285,304,083**	**60,389,549,832**	**246,857,618**	**69,921,711,533**

STATEMENT OF FINANCIAL POSITION (continued)

Supplementary statement showing BancoPosta RFC at 31 December 2014

ASSETS (€)	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Non-current assets					
Property, plant and equipment		2,171,536,959	–	–	2,171,536,959
Investment property		66,764,604	–	–	66,764,604
Intangible assets		375,116,844	–	–	375,116,844
Investments		2,029,998,976	–	–	2,029,998,976
Financial assets attributable to BancoPosta	[A5]	–	39,097,602,730	–	39,097,602,730
Financial assets		1,103,013,684	–	–	1,103,013,684
Trade receivables		50,265,090	–	–	50,265,090
Deferred tax assets	[C10]	372,007,828	211,418,704	–	583,426,532
Other receivables and assets	[A8]	168,066,838	562,655,045	–	730,721,883
Total		**6,336,770,823**	**39,871,676,479**	**–**	**46,208,447,302**
Current assets					
Trade receivables	[A7]	2,048,138,636	1,389,450,895	–	3,437,589,531
Current tax assets	[C10]	658,478,986	18,574,675	(73,187,713)	603,865,948
Other receivables and assets	[A8]	844,619,242	619,589,003	–	1,464,208,245
Financial assets attributable to BancoPosta	[A5]	–	11,188,971,013	–	11,188,971,013
Financial assets		648,254,841	–	–	648,254,841
Cash and deposits attributable to BancoPosta	[A9]	–	2,873,042,628	–	2,873,042,628
Cash and cash equivalents	[A10]	43,189,262	942,346,684	–	985,535,946
Total		**4,242,680,967**	**17,031,974,898**	**(73,187,713)**	**21,201,468,152**
Non-current assets held for sale		**–**	**–**	**–**	**–**
Intersegment relations net amount		463,831,936	–	(463,831,936)	–
TOTAL ASSETS		**11,043,283,726**	**56,903,651,377**	**(537,019,649)**	**67,409,915,454**

LIABILITIES AND EQUITY (€)	Note	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ADJUSTMENTS	TOTAL
Equity					
Share capital		1,306,110,000	–	–	1,306,110,000
Reserves	[B3]	312,760,264	2,621,132,798	–	2,933,893,062
Retained earnings		1,029,191,712	1,235,728,568	–	2,264,920,280
Total		**2,648,061,976**	**3,856,861,366**	**–**	**6,504,923,342**
Non-current liabilities					
Provisions for risks and charges	[B4]	241,428,119	301,416,602	–	542,844,721
Employee termination benefits	[B5]	1,414,213,968	20,219,105	–	1,434,433,073
Financial liabilities attributable to BancoPosta	[B6]	–	3,223,831,167	–	3,223,831,167
Financial liabilities		1,252,463,322	–	–	1,252,463,322
Deferred tax liabilities	[C10]	7,639,843	850,562,140	–	858,201,983
Other liabilities	[B9]	65,990,618	639,039,218	–	705,029,836
Total		**2,981,735,870**	**5,035,068,232**	**–**	**8,016,804,102**
Current liabilities					
Provisions for risks and charges	[B4]	647,558,079	56,402,571	–	703,960,650
Trade payables	[B8]	1,152,017,703	70,072,593	–	1,222,090,296
Current tax liabilities	[C10]	–	73,187,713	(73,187,713)	–
Other liabilities	[B9]	1,360,909,804	72,899,774	–	1,433,809,578
Financial liabilities attributable to BancoPosta	[B6]	–	47,275,327,192	–	47,275,327,192
Financial liabilities		2,253,000,294	–	–	2,253,000,294
Total		**5,413,485,880**	**47,547,889,843**	**(73,187,713)**	**52,888,188,010**
Intersegment relations net amount		–	463,831,936	(463,831,936)	–
TOTAL LIABILITIES AND EQUITY		**11,043,283,726**	**56,903,651,377**	**(537,019,649)**	**67,409,915,454**

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER

(€)	Note	2015	*of which, related party transactions*	2014	*of which, related party transactions*
Revenue from sales and services	[C1]	8,205,339,001	*2,937,333,121*	8,470,673,537	*2,967,601,798*
Other income from financial activities	[C2]	432,729,127	–	388,970,860	–
Other operating income	[C3]	398,603,385	*344,660,651*	306,752,606	*218,185,385*
Total revenue		**9,036,671,513**		**9,166,397,003**	
Cost of goods and services	[C4]	1,818,825,347	*703,908,697*	1,921,417,420	*767,327,402*
Other expenses from financial activities	[C5]	2,658,951	–	5,765,896	–
Personnel expenses	[C6]	5,895,395,587	*43,499,516*	5,971,906,697	*41,969,470*
of which non-recurring costs/(income)		*(10,990,041)*	–	–	–
Depreciation, amortisation and impairments	[C7]	484,513,261	–	578,504,684	–
Capitalised costs and expenses		(4,877,662)	–	(6,217,969)	–
Other operating costs	[C8]	226,279,057	*(45,676,448)*	314,388,600	*70,499,437*
Operating profit/(loss)		**613,876,972**		**380,631,675**	
Finance costs	[C9]	76,378,041	*2,398,225*	178,624,848	*9,319,373*
of which non-recurring costs		–	–	*75,000,000*	–
Finance income	[C9]	58,443,397	*22,122,141*	70,977,003	*29,475,216*
of which non-recurring income		*4,021,772*	–	*10,486,885*	–
Profit/(Loss) before tax		**595,942,328**		**272,983,830**	
Income tax expense	[C10]	145,143,605	–	216,091,540	–
of which, non-recurring costs/(income)		*12,043,138*	–	–	–
PROFIT FOR THE YEAR		**450,798,723**		**56,892,290**	

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(€)	Note	2015	2014
Profit/(Loss) for the year		**450,798,723**	**56,892,290**
Items to be reclassified in the Statement of profit or loss for the year			
Available-for-sale financial assets			
Increase/(decrease) in fair value during the year	[tab. B3]	1,531,496,129	1,790,690,934
Transfers to profit or loss		(383,526,596)	(228,828,754)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B3]	12,721,107	143,870,358
Transfers to profit or loss		(70,813,431)	(46,483,337)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(197,732,176)	(527,277,476)
Items not to be reclassified in the Statement of profit or loss for the year			
Actuarial gains/(losses) on provisions for employee termination benefits	[tab. B5]	78,728,915	(170,907,158)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		(29,541,350)	46,999,468
Total other components of comprehensive income		**941,332,598**	**1,008,064,035**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,392,131,321**	**1,064,956,325**

STATEMENT OF CHANGES IN EQUITY

(€)	Equity						
	Share capital	Reserves				Retained earnings/ (Accummulated losses)	Total
		Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve		
Balance at 1 January 2014	**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**
Total comprehensive income for the year	–	–	–	1,065,760,966	66,210,759	(67,015,400)	1,064,956,325
Attribution of profit to reserves	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(500,000,000)	(500,000,000)
Other shareholder transactions	–	–	–	–	–	509,761,331	509,761,331
Recognition of Receivable authorised by 2015 Stability Law in implementation of sentence of the European Court	–	–	–	–	–	535,000,000	535,000,000
Taxation	–	–	–	–	–	(25,238,669)	(25,238,669)
Balance at 31 December 2014	**1,306,110,000**	**299,234,320**	**1,000,000,000**	**1,586,642,318**	**48,016,424**	**2,264,920,280**	**6,504,923,342**
of which attributable to BancoPosta RFC	–	–	*1,000,000,000*	*1,573,116,374*	*48,016,424*	*1,235,728,568*	*3,856,861,366*
Total comprehensive income for the year	–	–	–	931,179,814	(39,034,781)	499,986,288(*)	1,392,131,321
Attribution of profit to reserves	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(250,000,000)	(250,000,000)
Changes due to share-based payments	–	–	–	–	–	552,284	552,284
Other shareholder transactions(**)	–	–	–	–	–	(1,169,237)	(1,169,237)
Balance at 31 December 2015	**1,306,110,000**	**299,234,320**	**1,000,000,000**	**2,517,822,132**	**8,981,643**	**2,514,289,615**	**7,646,437,710**
of which attributable to BancoPosta RFC	–	–	*1,000,000,000*	*2,499,982,110*	*8,463,736*	*1,533,707,577*	*5,042,153,423*

(*) This item includes profit for the year of €451 million, actuarial gains on provisions for employee termination benefits of €79 million after the related current and deferred tax income of €30 million.

(**) Shareholder transactions are described in paragraph B2.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(€000)	Note	2015	2014
Cash and cash equivalents at beginning of year		**985,536**	**587,652**
Profit/(Loss) before tax		595,942	272,984
Depreciation, amortisation and impairments	[tab. C7]	484,515	578,505
Impairments/(Reversals of impairments) of investments	[tab. A4.1]	76,644	25,065
Net provisions for risks and charges	[tab. B4]	440,824	389,137
Use of provisions for risks and charges	[tab. B4]	(390,820)	(232,852)
Employee termination benefits paid	[tab. B5]	(63,203)	(76,128)
(Gains)/losses on disposals	[tab. C3.3]	(2,952)	2,240
Impairment of available-for-sale investments	[tab. C9.2]	–	75,000
(Dividendi)		(478)	(404)
Dividendi incassati		478	404
(Finance income in form of interest)	[tab. C9.1]	(52,452)	(67,606)
Interest received		49,154	32,754
Interest expense and other finance costs	[tab. C9.2]	70,281	99,428
Interest paid		(43,703)	(35,421)
Losses and impairments/(Recoveries) on receivables	[tab. C8]	(63,151)	71,131
Income tax paid	[tab. C10.3]	(219,293)	(416,425)
Other movements		813	–
Cash generated by operating activities before movements in working capital	**[a]**	**882,599**	**717,812**
Movements in working capital:			
(Increase)/decrease in Trade receivables		1,398,288	(125,925)
(Increase)/decrease in Other receivables and assets		228,402	(3,509)
Increase/(decrease) in Trade payables		7,434	(91,906)
Increase/(decrease) in Other liabilities		43,535	(30,247)
Current tax assets recovered		545,662	–
Cash generated by/(used in) movements in working capital	**[b]**	**2,223,321**	**(251,587)**
Increase/(decrease) in financial liabilities attributable to BancoPosta		2,899,972	521,146
Net cash generated by/(used for) financial assets held for trading		939	1
Net cash generated by/(used for) available-for-sale financial assets		(2,412,869)	(833,764)
Net cash generated by/(used for) held-to-maturity financial assets		1,403,512	1,332,197
(Increase)/decrease in other financial assets attributable to BancoPosta		(1,480,336)	(502,706)
(Increase)/decrease in cash and deposits attributable to BancoPosta		(287,612)	206,651
(Income)/Expenses and other non-cash components attributable to financial activities		(926,509)	(867,508)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	**[c]**	**(802,903)**	**(143,983)**
Net cash flow from /(for) operating activities	**[d]=[a+b+c]**	**2,303,017**	**322,242**
– of which related party transactions		***(1,616,762)***	***(1,445,376)***

(€000)	Note	2015	2014
Investing activities:			
Property, plant and equipment	[tab. A1]	(206,991)	(180,575)
Investment property	[tab. A2]	(319)	(510)
Intangible assets	[tab. A3]	(176,972)	(151,636)
Investments		(251,768)	(242,773)
Other financial assets		(2,157)	(104,395)
Disposals:			
Property, plant and equipment, investment property and assets held for sale		3,576	2,066
Investments		3,182	–
Other financial assets		113,371	237,076
Net cash flow from /(for) investing activities	**[e]**	**(518,078)**	**(440,747)**
– of which related party transactions		***(27,837)***	***(205,269)***
Proceeds from/(Repayments of) long-term borrowings		–	–
(Increase)/decrease in loans and receivables		113,594	109,442
Increase/(decrease) in short-term borrowings		(1,649,336)	906,947
Dividends paid	[B2]	(250,000)	(500,000)
Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court		535,000	–
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(1,250,742)**	**516,389**
– of which related party transactions		***(419,046)***	***77,349***
Net increase/(decrease) in cash	[g]=[d+e+f]	534,197	397,884
Cash and cash equivalents at end of year	**[tab. A10]**	**1,519,733**	**985,536**

Cash and cash equivalents at end of year	**[tab. A10]**	**1,519,733**	**985,536**
Cash subject to investment restrictions		(217,320)	(687,719)
Amounts that cannot be drawn on due to court rulings		(11,228)	(11,151)
Unrestricted net cash and cash equivalents at end of year		**1,291,185**	**286,666**

4.2 INFORMATION ON BANCOPOSTA RFC

As required by art. 2, paragraphs 17-*octies et seq.* of Law 10 of 26 February 2011, converting Law Decree 225 of 29 December 2010, in order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements to BancoPosta's operations and for the protection of creditors, at the General Meeting held on 14 April 2011 Poste Italiane SpA's shareholder approved the creation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations (BancoPosta Ring-fenced Capital or BancoPosta RFC), as governed by Presidential Decree 144 of 14 March 2001, and established the assets and contractual rights to be included in the ring-fence as well as By-laws governing its organisation, management and control. BancoPosta RFC was provided originally with an initial reserve of €1 billion through the attribution of Poste Italiane SpA's retained earnings. The resolution of 14 April 2011 became effective on 2 May 2011, the date on which it was filed with the Companies' Register.

The separation of BancoPosta from Poste Italiane SpA is only partly comparable to other ring-fenced capital solutions. Indeed, BancoPosta is not expected to meet the requirements of articles 2447 *bis et seq.* of the Italian Civil Code or for other special purpose entities, in that it has not been established for a single specific business but rather, pursuant to Presidential Decree 144 of 14 March 2001, for several types of financial activities to be regularly carried out for an unlimited period of time. For this reason, the above legislation does not impose the 10% limit on BancoPosta's equity, waiving the provisions of the Italian Civil Code unless expressly cited as applicable.

Nature of assets and contractual rights and authorisation

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[66], namely:

- the collection of all forms of savings deposit from the public in accordance with art. 11, para. 1 of Legislative Decree 385/1993 of 1 September 1993 – Consolidated Banking Law (*Testo Unico Bancario*, or *TUB*) – and all related and consequent activities;
- the collection of savings through postal securities and deposits;
- payment services, including the issuance, administration and sale of prepaid cards and other payment instruments pursuant to art. 1, para. 2, letter f) numbers 4) and 5), TUB;
- foreign currency exchange services;
- promotion and arrangement 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.

(66) 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[67].

BancoPosta RFC's operations

BancoPosta RFC's operations consist of the investment of cash held in postal current accounts, in the name of BancoPosta but subject to statutory restrictions, and the management of third parties' collections and remittances. This latter activity includes the collection of postal savings (Postal Savings Books and Interest-bearing Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Administration 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[68]. Funds deposited by Public Administration entities are, instead, deposited with the Ministry of the Economy and Finance and earn a variable rate of return 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 27 March 2015 and covering the three-year period 2014-2016. In addition, under the agreement with the MEF, renewed on 11 June 2014 for the three-year period 2014-2016, a percentage of the funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a variable rate calculated on the basis of the Euro OverNight Index Average (EONIA)[69] rate.

(67) All assets, contractual rights and authorisations were conferred on BancoPosta as required to engage in the following types of operation:

a. Contracts for the collection of savings from the public, both in the form of deposits (e.g., postal current accounts) and the related services (e.g., issuance of postal cheques, payment of bills by payment slip and direct debits) and in other forms;
b. Contracts for the provision of payment services including the issuance, management and sale of payment cards, including prepaid cards (e.g., "postamat", "postepay"), acquiring services and money transfers (e.g., post office money orders);
c. Investment services contracts (e.g., brokerage, distribution and investment advisory services) and related services (e.g., securities custody);
d. Agreements with Cassa Depositi e Prestiti SpA in connection with collection of savings through postal securities and deposits;
e. Agreements with approved banks and brokers for the promotion and lending to the public (e.g. mortgages, personal loans);
f. Agreements with approved banks and brokers for acquiring and payment services;
g. Agreements with approved brokers to promote and place financial instruments, bankassurance and insurance products (e.g., share, bond and mutual fund subscriptions, life and non-life insurance);
h. Other agreements relating to BancoPosta services;
i. Contracts and related legal arrangements with BancoPosta employees belonging to a separate cost centre;
j. Contracts with suppliers to the BancoPosta costs centre and related legal arrangements;
k. Shares and investments in companies, consortia, payment/credit card issuers or money transfer service companies;
l. Euro area government securities and securities guaranteed by the Italian government, held pursuant to art. 1, paragraph 1097 of Law 296 of 27 December 2006, as amended, and the related valuation reserves, including hedging derivatives;
m. Accounts payable (e.g., postal current accounts) and receivable in connection with the above points;
n. Intersegment accounts payable and receivable respectively to and from Poste Italiane;
o. Deferred tax assets and liabilities relating to BancoPosta;
p. Post office and bank account cash balances associated with BancoPosta operations;
q. "Buffer" account at the Treasury, Ministry of the Economy and Finance;
r. Cash deposits at the Treasury, Ministry of the Economy and Finance relating to Public Administration 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.

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

(69) The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).

Cost and revenue allocation

Given the fact that Poste Italiane is a single legal entity, the Company's general accounting system maintains its uniform characteristics and capabilities. In this context, the general principles governing administrative and accounting aspects of BancoPosta RFC are as follows:

- identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers;
- allocation to BancoPosta of all relevant revenues and costs. In particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special accounts only, and subsequently settled;
- settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Chief Financial Office;
- allocation of income taxes based on BancoPosta's separate income statement after adjusting for deferred taxation;
- reconciliation of BancoPosta's separate books to Poste Italiane's general ledger;
- the activities – or services – carried out by the various departments within Poste Italiane SpA on behalf of BancoPosta RFC are indicated in specific *General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane* (the "General Guidelines"[(70)]) approved by Poste Italiane SpA's Board of Directors. In implementation of *BancoPosta RFC's Regulation*, these General Guidelines identify the services in question and determine the manner in which they are remunerated.

The services provided by Poste Italiane to BancoPosta are subdivided into three macro areas in accordance with their nature:

- Commercial activities, represented by the sale of BancoPosta products and services to all customer segments.
- Support services, meaning the coordination and management of investments, IT systems, customer care and postal services.
- Staff services, represented by the provision of support for the coordination and management of BancoPosta RFC across all areas of business.

In compliance with Bank of Italy Circular 285/2013[(71)], these services are in turn classified in the General Guidelines as essential and non-essential control and operating functions.

The general policies and instructions contained in the General Guidelines in relation to transfer pricing are detailed in separate Operating Guidelines, jointly developed by BancoPosta and the Issuer's other functions. The Operating Guidelines establish, among other things, levels of service and the related transfer prices, and become effective, in accordance with the General Guidelines, following an authorisation process involving the relevant functions, the Chief Executive Officer and, when provided for, the Issuer's Board of Directors.

The transfer prices set out in the Operating Guidelines, which were revised in 2015, are determined according to objective criteria that reflect the real contribution of the various functions to BancoPosta RFC's results. In this regard, the transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by one of the Issuer's functions do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In this case, an appropriate mark-up, determined with reference to those used by comparable peers, is applied. The resulting transfer prices are reviewed annually.

The following table includes a summary of the services provided to BancoPosta RFC by the Issuer's functions, with a brief indication of how the transfer prices are determined.

(70) Until 31 December 2014, the services were governed by "General Operating Guidelines", which have been replaced by the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" approved by Poste Italiane's Board of Directors on 27 May 2015.

(71) Bank of Italy Circular 285 of 17 December 2013, part four, chapter 1 – BancoPosta.

Function	Allocation key
Poste Office Network	Percentage of revenue generated Penalties for failure to meet predetermined quality standards
Information Technology	Fixed component: Cost + mark-up Variable component: determined with reference to the maintenance of operating *performance*
Investment Governance	Fees by professional role based on market benchmarks
Real Estate	Market prices with reference to floor space and maintenance costs
Mail and Logistics Services	Prices for mail sent to customers and internal mail
Customer Care	Priced on the basis of type of contact
Chief Financial Office	Fees by professional role based on market benchmarks Recharge of external costs, where applicable
Human Resources, Organisation and Services	
Security and Safety	
Legal Affairs	
External Relations	
Purchasing	
Internal Auditing	
Compliance	

Esssential operating functions   Control functions

In this regard, the new Operating Guidelines for 2015, relating to essential operating functions and control functions, were submitted to the Bank of Italy in accordance with the Supervisory Standards and the 60-day term, within which the authority may initiate an administrative procedure blocking implementation, has expired.

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, at the Euro OverNight Index Average (EONIA) rate.

The cost of the services rendered by Poste Italiane functions outside the ring-fence, and the revenue earned from the latter by BancoPosta, contribute to BancoPosta's results. The relevant transactions, profit and loss and balance sheet amounts, generated by these relationships are only recorded in BancoPosta RFC's Separate Report. In Poste Italiane SpA's comprehensive accounts intersegment transactions are on the other hand eliminated, and are not presented. The accounting treatment adopted is similar to that provided for by the accounting standards regulating the preparation of the Group's consolidated financial statements.

Obligations

Poste Italiane SpA's liability, pursuant to art. 2, paragraph 17-*nonies* of Law Decree 225 of 29 December 2010 converted into Law 10, to creditors of BancoPosta RFC 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 SpA, and subsequently amended on 31 July 2015, provides that BancoPosta RFC's equity shall be sufficient to ensure that it is able to comply with supervisory capital requirements and is aligned with the risk profile of its operations.

Separate report

BancoPosta RFC's Separate Report is prepared in application of Bank of Italy Circular 262 of 22 December 2005 – *Banks' Financial Statements: Layouts and Preparation*, as amended. The application of these regulations, whilst in compliance with the same accounting standards adopted by Poste Italiane SpA, requires the use of a different basis of presentation for certain components of profit or loss and the statement of financial position compared with the basis of presentation adopted for the statutory financial statements.

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report[72].

TAB.4.2 – RECONCILIATION OF SEPARATE EQUITY

Item in supplementary statement (€m) / Item in Separate Report		130 Valuation reserves	160 Reserves	200 Net profit for period
Reserves	3,508	2,508	1,000	–
BancoPosta RFC reserve	1,000	–	1,000	–
Fair value reserve	2,500	2,500	–	–
Cash flow hedge reserve	8	8	–	–
Retained earnings	1,534	(2)	949	587
Net profit for period	1,536	–	949	587
Cumulative actuarial gains/(losses) on defined benefit plans	(2)	(2)	–	–
Total	**5,042**	**2,506**	**1,949**	**587**

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[73], which states that "the assets and contractual rights included in BancoPosta's ring-fenced capital shall be shown separately in the Company's statement of financial position", Poste Italiane SpA's statement of financial position includes a "Supplementary statement showing BancoPosta RFC".

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC, which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. These include regulations covering the organisational structure and governance, the system of internal controls and the requirements regarding capital adequacy and risk containment.

Furthermore, BancoPosta RFC's Regulation states that "In view of the absence of non-controlling interests in BancoPosta RFC, on approval of Poste Italiane SpA's financial statements, the General Meeting shall – on 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 (…)".

(72) 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).

(73) 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

(€m)	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 1 January 2014								
Cost	74	2,651	1,810	315	368	1,419	43	6,680
Accumulated depreciation	–	(1,218)	(1,386)	(275)	(169)	(1,194)	–	(4,242)
Accumulated impairments	–	(56)	(13)	(1)	–	–	–	(70)
Carrying amount	**74**	**1,377**	**411**	**39**	**199**	**225**	**43**	**2,368**
Movements during the year								
Purchases	1	33	37	5	22	52	30	180
Adjustments	–	–	–	–	–	–	–	–
Reclassifications	–	14	14	–	5	2	(38)	(3)
Disposals	–	–	–	–	(2)	–	–	(2)
Depreciation	–	(104)	(98)	(11)	(29)	(82)	–	(324)
(Impairments)/Reversal of impairments	–	(39)	4	–	(12)	–	–	(47)
Total movements	**1**	**(96)**	**(43)**	**(6)**	**(16)**	**(28)**	**(8)**	**(196)**
Balance at 31 December 2014								
Cost	75	2,697	1,829	320	392	1,457	36	6,806
Accumulated depreciation	–	(1,321)	(1,453)	(285)	(196)	(1,262)	–	(4,517)
Accumulated impairments	–	(95)	(9)	(1)	(12)	–	–	(117)
Carrying amount	**75**	**1,281**	**367**	**34**	**184**	**195**	**36**	**2,172**
Movements during the year								
Purchases	–	34	33	6	23	75	36	207
Reclassifications[1]	–	12	7	–	5	5	(29)	–
Disposals[2]	–	–	–	–	(2)	–	–	(2)
Depreciation	–	(106)	(88)	(9)	(29)	(82)	–	(314)
(Impairments)/Reversal of impairments	–	8	(3)	–	7	–	–	12
Total movements	**–**	**(52)**	**(51)**	**(3)**	**4**	**(2)**	**7**	**(97)**
Balance at 31 December 2015								
Cost	75	2,743	1,837	326	416	1,515	43	6,955
Accumulated depreciation	–	(1,427)	(1,509)	(294)	(223)	(1,322)	–	(4,775)
Accumulated impairments	–	(87)	(12)	(1)	(5)	–	–	(105)
Carrying amount	**75**	**1,229**	**316**	**31**	**188**	**193**	**43**	**2,075**

(€m)	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Reclassifications[1]								
Cost	–	12	5	–	7	5	(29)	–
Accumulated depreciation	–	–	2	–	(2)	–	–	–
Total	**–**	**12**	**7**	**–**	**5**	**5**	**(29)**	**–**
Disposals[2]								
Cost	–	–	(30)	–	(6)	(22)	–	(58)
Accumulated depreciation	–	–	30	–	4	22	–	56
Total	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**

None of the above items is attributable to BancoPosta RFC.

At 31 December 2015, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term, with a carrying amount of €84 million.

The main movements during 2015 are described below.

Purchases of €207 million primarily relate to:

- €34 million, primarily relating to extraordinary maintenance of post offices and local head offices around the country (€25 million) and mail sorting offices (€8 million);
- €33 million relating to plant, of which €25 million for plant and equipment related to buildings and €6 million for the installation and extraordinary maintenance of video surveillance systems;
- €23 million to upgrade plant (€13 million) and the structure (€10 million) of properties held under lease;
- €75 million relating to "Other assets", including €64, million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage system, €6 million for the purchase of furniture and fittings in connection with the new layouts for post offices and €2 million to renew the equipment used in mail delivery;
- €36 million relating to assets under construction, of which €15 million to purchase hardware and other technological equipment not yet operational,€9 million relate to the restyling of post offices, €9 million to the restructuring of head offices, and €2 million to the renovation of primary distribution centres.

Reversals of impairment losses are due to changes in estimates relating to owned industrial buildings (property used in operations) and leased commercial buildings (leasehold improvements) for which account was taken, prudentially, of the effects of reduced utilisation or removal from the production cycle in future on the relevant value in use (note 2.4 – *Use of estimates*).

Reclassifications from assets under construction, totalling €29 million, relate primarily to the acquisition cost of assets that became available and ready for use during the year. In particular, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

A2 – Investment property

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by post office directors. None of the property included in this item is attributable to BancoPosta RFC. Movements in investment property are as follows:

TAB. A2 – MOVEMENTS IN INVESTMENT PROPERTY

(€m)	**2015**	**2014**
Balance at 1 January		
Cost	147	146
Accumulated depreciation	(79)	(75)
Accumulated impairments	(1)	(2)
Carrying amount	**67**	**69**
Movements during the year		
Purchases	–	1
Reclassifications[(1)]	–	3
Disposals[(2)]	(1)	(1)
Depreciation	(5)	(5)
Reversal of impairments (impairments)	–	–
Total movements	**(6)**	**(2)**
Balance at 31 December		
Cost	144	147
Accumulated depreciation	(82)	(79)
Accumulated impairments	(1)	(1)
Carrying amount	**61**	**67**
Fair value at 31 December	113	116
Reclassifications[(1)]		
Cost	–	2
Accumulated depreciation	–	–
Accumulated impairments	–	1
Total	**–**	**3**
Disposals[(2)]		
Cost	(3)	(2)
Accumulated depreciation	2	1
Accumulated impairments	–	–
Total	**(1)**	**(1)**

The fair value of investment property at 31 December includes approximately €67 million representing the sale price applicable to the Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects price estimates computed internally by the Company[(74)].

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

(74) 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

(€m)	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Total
Balance at 1 January 2014				
Cost	1,715	2	154	1,871
Accumulated amortisation and impairments	(1,441)	(2)	–	(1,443)
Carrying amount	**274**	**–**	**154**	**428**
Movements during the year				
Purchases	99	–	53	152
Reclassifications	142	–	(142)	–
Disposals	–	–	(1)	(1)
Amortisation and impairments	(203)	–	–	(203)
Total movements	**38**	**–**	**(90)**	**(52)**
Balance at 31 December 2014				
Cost	1,953	2	64	2,019
Accumulated amortisation and impairments	(1,641)	(2)	–	(1,643)
Carrying amount	**312**	**–**	**64**	**376**
Movements during the year				
Purchases	126	–	50	176
Reclassifications(1)	57	–	(57)	–
Disposals(2)	–	–	–	–
Amortisation and impairments	(178)	–	–	(178)
Total movements	**5**	**–**	**(7)**	**(2)**
Balance at 31 December 2015				
Cost	2,134	2	57	2,193
Accumulated amortisation and impairments	(1,817)	(2)	–	(1,819)
Carrying amount	**317**	**–**	**57**	**374**
Reclassifications(1)				
Cost	57	–	(57)	–
Accumulated amortisation	–	–	–	–
Total	**57**	**–**	**(57)**	**–**
Disposals(2)				
Cost	(2)	–	–	(2)
Accumulated amortisation	2	–	–	2
Total	**–**	**–**	**–**	**–**

None of the above items is attributable to BancoPosta RFC.

Investment in "Intangible assets" during 2015 amounts to €176 million, including €5 million in internal software development costs and the related expenses. Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

Purchases of **industrial patents and intellectual property rights** total €126 million, before amortisation for the year, and relate primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

Purchases of **intangible assets under construction** primarily regard the development of software relating to the infrastructure platform and for use in providing support to the sales network.

The balance of intangible assets under construction includes activities primarily regarding the development for software relating to the infrastructure platform (€19 million), for BancoPosta services (€19 million), for the postal products platform (€10 million, for use in providing support to the sales network (€5 million) and for the re-engineering of reporting processes for other business and staff functions (€4 million).

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 €57 million, reflecting the completion and commissioning of software and the upgrade of existing software.

A4 – Investments

This item includes the following:

TAB. A4 – INVESTMENTS

Item *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Investments in subsidiaries	1,993	2,029
Investments in associates	211	1
Total	**2,204**	**2,030**

No investments are attributable to BancoPosta RFC.

Movements in investments in subsidiaries and associates are as follows:

TAB. A4.1 – MOVEMENTS IN INVESTMENTS

MOVEMENTS IN INVESTMENTS IN THE YEAR ENDED 31 DECEMBER 2015

Investments (€m)	Balance at 1 January 2015	Additions		Reductions	Adjustments		Balance at 31 December 2015
		Subscriptions/Capital contributions	Acquisitions	Sales, liquidations, mergers	Reval.	(Impair.)	
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	372	–	–	–	–	–	372
BancoPosta Fondi SpA SGR	12	–	–	–	–	–	12
CLP ScpA	–	–	–	–	–	–	–
Consorzio PosteMotori	–	–	–	–	–	–	–
Cons. per i Servizi di Telefonia Mobile ScpA	–	–	–	–	–	–	–
EGI SpA	191	–	–	–	–	(9)	182
Mistral Air Srl	–	–	–	–	–	–	–
PatentiViaPoste ScpA	–	–	–	–	–	–	–
Poste Holding Participações do Brasil Ltda	1	–	–	(1)	–	–	–
Poste Tributi ScpA	2	–	–	–	–	–	2
PosteTutela SpA	1	–	–	–	–	–	1
Poste Vita SpA	1,219	–	–	–	–	–	1,219
Postecom SpA	13	–	–	–	–	–	13
Postel SpA	124	–	–	–	–	(4)	120
PosteMobile SpA	71	–	–	–	–	–	71
PosteShop SpA	–	1	–	–	–	–	1
SDA Express Courier SpA	23	40	–	–	–	(63)	–
Total subsidiaries	**2,029**	**41**	**–**	**(1)**	**–**	**(76)**	**1,993**
in associates							
Telma-Sapienza Scarl	1	–	–	–	–	(1)	–
Anima Holding SpA	–	–	211	–	–	–	211
Total associates	**1**	**–**	**211**	**–**	**–**	**(1)**	**211**
Total	**2,030**	**41**	**211**	**(1)**	**–**	**(77)**	**2,204**

MOVEMENTS IN INVESTMENTS IN THE YEAR ENDED 31 DECEMBER 2014

Investments *(€m)*	Balance at 1 January 2014	Additions		Reductions	Adjustments		Balance at 31 December 2014
		Subscriptions/Capital contributions	Acquisitions	Sales, liquidations, mergers	Reval.	(Impair.)	
in subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	140	232	–	–	–	–	372
BancoPosta Fondi SpA SGR	12	–	–	–	–	–	12
CLP ScpA	–	–	–	–	–	–	–
Consorzio PosteMotori	–	–	–	–	–	–	–
Cons. Servizi di Telefonia Mobile ScpA	–	–	–	–	–	–	–
EGI SpA	191	–	–	–	–	–	191
Mistral Air Srl	10	10	–	–	–	(20)	–
Poste Holding Participações do Brasil Ltda	–	1	–	–	–	–	1
PatentiViaPoste ScpA	–	–	–	–	–	–	–
Poste Energia SpA	–	–	–	–	–	–	–
Poste Tributi ScpA	2	–	–	–	–	–	2
PosteTutela SpA	1	–	–	–	–	–	1
Poste Vita SpA	1,219	–	–	–	–	–	1,219
Postecom SpA	13	–	–	–	–	–	13
Postel SpA	124	–	–	–	–	–	124
PosteMobile SpA	71	–	–	–	–	–	71
PosteShop SpA	5	–	–	–	–	(5)	–
SDA Express Courier SpA	23	–	–	–	–	–	23
Total subsidiaries	**1,811**	**243**	**–**	**–**	**–**	**(25)**	**2,029**
in associates							
Telma-Sapienza Scarl	1	–	–	–	–	–	1
Total associates	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Total	**1,812**	**243**	**–**	**–**	**–**	**(25)**	**2,030**

The following movements occurred in 2015:

- Liquidation of the Brazilian company, Poste Holding Participações do Brasil LTDA (established in August 2013, with 76% of share capital subscribed by Poste Italiane SpA and 24% by PosteMobile SpA) on 25 September 2015.
- The acquisition of a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) for a total consideration of €210.5 million, based on a price of €6.80 per share. This is broadly in line with the average market price of the investee's shares on the Milan Stock Exchange during the month prior to the agreement, executed on 14 April 2015. The agreement will also result in Poste Italiane's inclusion in the shareholders' agreement that BMPS has previously entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the investee. In view of the strategic importance of the transaction and the significant influence acquired through the shareholders' agreement, the investee has been classified as an associate. Anima Holding SpA provides strategic guidance and coordination for the group of the same name, one of Italy's leading asset managers. The difference of €134.6 million between the consideration paid (€210.5 million) and the net assets acquired on a pro rata basis (€75.9 million) has been allocated to goodwill, incorporated in the carrying amount of the investment.
- The injection of €9 million of capital into PosteShop SpA to cover losses incurred through to 31 December 2014 and establish an extraordinary reserve, as approved by the extraordinary general meeting of the investee company's shareholders on 21 April 2015, in part via use of the "Other provisions for risks and charges" made in 2014 (€8 million).
- The injection of €40 million into SDA Express Courier SpA to cover the losses incurred by the subsidiary through to 30 June 2015 and establish an extraordinary reserve, as approved by the extraordinary general meeting of the investee company's shareholders on 3 August 2015.

- Withdrawal from the Telma-Sapienza Scarl consortium on 14 December 2015. Art. 9, paragraph 1 of the company's Articles of Association states that "*the member's withdrawal is effective from the day after written notification is provided to the management board; from this time, the interest held by the withdrawing member, whilst awaiting settlement, are not included in computation of the quorum for members' meetings*". At 31 December 2015, whilst awaiting settlement, the carrying amount of the investment has been adjusted to reflect the expert appraisal, the related impact has been accounted for in profit or loss and the remaining amount reclassified to "Available-for-sale investments".

In addition, on 6 October 2015, Poste Italiane SpA transferred its 100% interest in Poste Energia SpA to EGI SpA, recognising income of €3 million and a resulting gain of an equal amount; on 3 December 2015, Poste Energia SpA was merged with and into EGI SpA, with effect for accounting and tax purposes from 31 December 2015.

Finally, after the end of the year under review, on 26 January 2016, the Company's Board of Directors approved the partial demerger of PosteMobile SpA's fixed line telecommunications business to Poste Italiane. The transaction was approved by the Board and not by a general meeting of shareholders (as it is subject to the simplified requirements applicable to demergers involving a wholly owned company, as specified below), in accordance with article 20.2 of the Company's Bylaws and articles 2505, paragraph 2 and 2506-*ter*, paragraph 5 of the Italian Civil Code. The demerger was also approved by an extraordinary general meeting of PosteMobile's shareholders.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. The tests carried out at 31 December 2015 were based on projections contained in the five-year business plans for the relevant cash generating units (companies or their subsidiaries) or the latest available projections. Data from the last year of the plan have been used to project cash flows for subsequent years over an indefinite time, and the resulting value was then discounted using the Discounted Cash Flow (DCF) method. For the determination of value in use, NOPLAT (Net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted average cost of capital). An assumed growth rate of 1.34% was used in the tests carried out at 31 December 2015 (1% at 31 December 2014).

Based on the available projections and the results of the impairment tests carried out, the investments in EGI SpA, Postel SpA and SDA Express Courier SpA have been written off, resulting in a total reduction of €76 million (tab. C8). In particular:

- in the case of SDA Express Courier SpA, an impairment loss on the investment of €63 million has been recognised, based on the value of equity as the best approximation of value in use which, in the circumstances, was deemed not to be lower than the company's recoverable value;
- in the case of EGI SpA, an impairment loss on the investment of €9 million has been recognised, based on the value of equity adjusted for unrealised after-tax gains on the property it owns as the best approximation of value in use, prudently deemed to be a valid indicator of the company's recoverable value;
- in the case of Postel SpA, value in use (identified as the company's recoverable value), determined on the basis of the latest available projections and in accordance with the above method, was €4 million lower than the carrying amount of the investment. In determining value in use, a WACC of 7% was used (5.70% at 31 December 2014) and an assumed growth rate of 1.34% (1% at 31 December 2014).

Poste Italiane SpA has committed to providing financial support to the subsidiaries, SDA Express Courier SpA, PosteShop SpA and Mistral Air Srl for 2016.

The following table shows a list of investments in subsidiaries and associates at 31 December 2015 (amounts in thousands of euros):

TAB. A4.2 – LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name *(€000)*	% interest	Share capital[1]	Profit/(loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31 December 2015	Difference between equity and carrying amount
Subsidiaries							
Banca del Mezzogiorno-MedioCredito Centrale SpA	100.00	364,509	32,427	425,511	425,511	371,978	53,533
BancoPosta Fondi SpA SGR	100.00	12,000	16,496	56,820	56,820	12,000	44,820
CLP ScpA	51.00	516	–	516	263	263	–
Consorzio PosteMotori	58.12	120	–	120	70	70	–
Consorzio per i Servizi di Telefonia Mobile ScpA[2]	51.00	120	–	120	61	61	–
EGI SpA	55.00	103,200	943	233,833	128,608	182,222	(53,614)
Mistral Air Srl	100.00	1,000	573	4,577	4,577	–	4,577
PatentiViaPoste ScpA[2]	69.65	120	(1)	120	84	84	–
Poste Tributi ScpA[2]	70.00	2,583	–	2,543	1,780	1,808	(28)
PosteTutela SpA	100.00	153	258	12,662	12,662	818	11,844
Poste Vita SpA[2]	100.00	1,216,608	388,421	3,283,955	3,283,955	1,218,481	2,065,474
Postecom SpA	100.00	6,450	77	21,003	21,003	12,789	8,214
Postel SpA	100.00	20,400	(3,535)	103,265	103,265	120,147	(16,882)
PosteMobile SpA	100.00	32,561	18,726	66,657	66,657	71,030	(4,373)
PosteShop SpA	100.00	500	595	1,895	1,895	1,300	595
SDA Express Courier SpA	100.00	10,000	(39,322)	498	498	498	–
Associates							
ItaliaCamp Srl[3]	20.00	10	3	21	4	2	2
Anima Holding SpA[4]	10.32	5,765	95,851	761,933	78,631	210,468	(131,837)

(1) Consortium fund in the case of consortia. The registered offices of subsidiaries and associates are all located in Rome, with the exception of Anima Holding SpA, whose registerd office is in Milan.

(2) These figures have been calculated under IFRS, and may not be consistent with those included in the investee company's financial statements prepared in accordance with the Civil Code and Italian GAAP.

(3) Figures taken from the company's latest approved financial statements at 31 December 2014.

(4) Figures taken from the company's latest approved financial statements at 30 September 2015.

A5 – Financial assets attributable to BancoPosta

Financial assets attributable to BancoPosta break down as follows at 31 December 2015.

TAB. A5 – FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA

Item (€m)	Note	Balance at 31 December 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Receivables		–	8,811	8,811	–	7,331	7,331
Held-to-maturity financial assets		11,402	1,484	12,886	12,698	1,402	14,100
Fixed-income instruments	[tab. A5.2]	11,402	1,484	12,886	12,698	1,402	14,100
Available-for-sale financial assets		31,488	1,109	32,597	26,355	2,452	28,807
Fixed-income instruments	[tab. A5.2]	31,417	998	32,415	26,299	2,452	28,751
Equity instruments		71	111	182	56	–	56
Derivative financial instruments		325	3	328	45	4	49
Cash flow hedges		44	3	47	45	4	49
Fair value hedges		281	–	281	–	–	–
Total		**43,215**	**11,407**	**54,622**	**39,098**	**11,189**	**50,287**

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).

Loans and receivables

TAB. A5.1 – LOANS AND RECEIVABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	–	417	417	–	–	–
Receivables	–	8,394	8,394	–	7,331	7,331
Amounts deposited with the MEF	–	5,855	5,855	–	5,467	5,467
MEF on behalf of the Italian Treasury	–	1,331	1,331	–	663	663
Other financial receivables	–	1,208	1,208	–	1,201	1,201
Total	**–**	**8,811**	**8,811**	**–**	**7,331**	**7,331**

Loans

At 31 December 2015, loans of €417 million in buy & sell back transactions involving government securities with a notional value of €400 million, entered into with leading bank counterparties and relating to the short-term investment of liquidity.

Receivables

Receivables of €8,394 million include:

- **Amounts deposited with the MEF**, totalling €5,855 million, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds(75). During 2015, the Company entered into derivative contracts to convert part of the return on the longer-term component of such deposits to fixed rate; the purpose of the transaction was to stabilise the return on this component, for 2015, through a series of repurchase agreements of 7-year BTPs, without delivery of the underlying securities at maturity but with settlement of the difference between the forward price of the securities and their market value.
- **MEF on behalf of the Italian Treasury**, amounting to €1,331 million, consisting of:

TAB. A5.1.1 – MEF ON BEHALF OF ITALIAN TREASURY

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Balance of cash flows for advances	–	1,693	1,693	–	905	905
Balance of cash flows from management of postal savings	–	(170)	(170)	–	(49)	(49)
Amounts payable due to theft	–	(158)	(158)	–	(159)	(159)
Amounts payable for operational risks	–	(34)	(34)	–	(34)	(34)
Total	**–**	**1,331**	**1,331**	**–**	**663**	**663**

The *balance of cash flows for advances*, amounting to €1,693 million, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

TAB. A5.1.1 A) – BALANCE OF CASH FLOWS FOR ADVANCES

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	–	1,694	1,694	–	918	918
MEF postal current accounts and other payables	–	(672)	(672)	–	(673)	(673)
Ministry of Justice – Orders for payment	–	(1)	(1)	–	(12)	(12)
MEF – State pensions	–	672	672	–	672	672
Total	**–**	**1,693**	**1,693**	**–**	**905**	**905**

The amount in question is significantly higher than at 31 December 2014 due to the combined effect of the revised payment schedule for ex-INPDAP pensions, whereby increased payments credited to the paying agency INPS, accounted for under "Payables due to current account holders", are reflected in increased receivables due from the Treasury.

The *balance of cash flows from the management of postal savings*, amounting to a negative €170 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2015 consists of €215 million payable to Cassa Depositi e Prestiti, less €45 million receivable from the MEF for Interest bearing Postal Certificates issued on its behalf.

(75) The variable rate in question is calculated as follows: 50% on the basis of yields of 6-month BOT and the remaining 50% on the basis of the monthly average of Rendistato, a rate reflecting the average interest rate paid by Italian government bonds with maturities ranging from 2 to 7 years.

Amounts payable due to thefts from post offices regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud, totalling €158 million. 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

(€m)	Note	2015	2014
Balance at 1 January		**159**	**158**
Amounts payable for thefts during the year	[tab. C8]	6	6
Repayments made		(7)	(5)
Balance at 31 December		**158**	**159**

During 2015, Poste Italiane SpA made repayments to the Italian Treasury for thefts that took place up to 31 December 2014, amounting to €3 million, and in the first half of 2015, totalling €3 million, as well as following rulings by the Court of Auditors on thefts suffered until 31 December 1993, amounting to €1 million.

Amounts payable for operational risks (€34 million) 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.

- **Other financial receivables** of €1,208 million break down as follows:

TAB. A5.1.2 – OTHER FINANCIAL RECEIVABLES

Item *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Guarantee deposits	864	892
Items to be debited to customers	233	205
Items awaiting settlement with the banking system	106	90
Other receivables	5	14
Total	**1,208**	**1,201**

Guarantee deposits, totalling €864 million relate to €857 million provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes) and €7 million provided to counterparties in repurchase agreements (with collateral contemplated by specific a *Global Master Repurchase Agreements*).

Other amounts to be charged to customers, amounting to €233 million, primarily regard: withdrawals from BancoPosta ATMs, the use of debit cards issued by BancoPosta, cheques and other collection items settled in the clearing house.

Investments in securities

Investments in securities relate to investments in fixed-income euro area government securities, consisting of Italian government securities with a nominal value of €39,040 million. Movements in investment securities are as follows:

TAB. A5.2 – MOVEMENTS IN INVESTMENT SECURITIES

Securities *(€m)*	HTM		AFS		FVTPL		TOTAL	
	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 1 January 2014	**14,914**	**15,221**	**22,807**	**24,374**	**–**	**–**	**37,721**	**39,595**
Purchases	100	103	4,760	5,201	534	543	5,394	5,847
Redemptions	(1,206)	(1,206)	(369)	(369)	(400)	(400)	(1,975)	(1,975)
Transfers to equity	–	–	–	(227)	–	–	–	(227)
Change in amortised cost	–	3	–	(6)	–	–	–	(3)
Changes in fair value through equity	–	–	–	1,759	–	–	–	1,759
Changes in fair value through profit or loss	–	–	–	1,328	–	–	–	1,328
Changes in cash flow hedge transactions	–	–	–	12	–	–	–	12
Effect of sales on profit or loss	–	–	–	392	–	–	–	392
Accrued income for current year	–	208	–	286	–	–	–	494
Sales and settlement of accrued income	–	(229)	(3,257)	(3,999)	(134)	(143)	(3,391)	(4,371)
Balance at 31 December 2014	**13,808**	**14,100**	**23,941**	**28,751**	**–**	**–**	**37,749**	**42,851**
Purchases	–	–	7,575	8,280	5,627	5,862	13,202	14,142
Redemptions	(1,196)	(1,196)	(2,143)	(2,143)	(1,650)	(1,650)	(4,989)	(4,989)
Transfers to equity	–	–	–	(385)	–	–	–	(385)
Change in amortised cost	–	3	–	(20)	–	–	–	(17)
Changes in fair value through equity	–	–	–	1,401	–	–	–	1,401
Changes in fair value through profit or loss	–	–	–	(432)	–	–	–	(432)
Changes in cash flow hedge transactions	–	–	–	–	–	–	–	–
Effect of sales on profit or loss	–	–	–	385	–	1	–	386
Accrued income for current year	–	187	–	302	–	–	–	489
Sales and settlement of accrued income	–	(208)	(2,945)	(3,724)	(3,977)	(4,213)	(6,922)	(8,145)
Balance at 31 December 2015	**12,612**	**12,886**	**26,428**	**32,415**	**–**	**–**	**39,040**	**45,301**

At 31 December 2015, the *fair value*[76] of the held-to-maturity portfolio, accounted for at amortised cost, is €15,057 million (including €187 million in accrued interest).

Securities with a nominal value of €4,993 million are encumbered as follows:

- €4,072 million used as collateral for repurchase agreements;
- €345 million used as collateral for asset swaps;
- €576 million delivered to the Bank of Italy as collateral for intraday credit extended to the Parent Company and to secure SEPA Direct Debit operations.

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

The fair value of the available-for-sale portfolio is €32,415 million (including €302 million in accrued interest). The overall fair value gain for the period of €969 million has been recognised in the relevant equity reserve for the positive amount of €1,401 million, in relation to the portion of the portfolio not hedged by fair value hedges, and through profit and loss, in relation to the loss of €432 million related to the hedged portion.

Securities with a nominal value of €497 million are encumbered, as they have been delivered to counterparties for use as collateral in connection with repurchase agreements.

On 31 December 2015, the Company subscribed to two fixed-rate bonds, in the amount of €750 million each, with six-monthly interest payments and maturing in 4 and 5 years, issued by Cassa Depositi e Prestiti and guaranteed by the Italian government.

Investments in equity instruments

Equity instruments include:

- €111 million, relating to the fair value of an ordinary share in Visa Europe Ltd, previously allocated to Poste Italiane SpA at the time of the company's incorporation and, at that time, accounted for at a nominal value of €10.00. At 31 December 2015, the fair value of the investment has been adjusted to take into account the likely impact of the acquisition and merger of Visa Europe Ltd with the US-registered company, Visa Incorporated. As announced on 21 December 2015, Visa Europe has informed its Principal Members that each of them will be paid a consideration and, at that date, the amount due to Poste Italiane at transaction closing, expected by the end of June 2016 – subject to clearance from the relevant authorities – was estimated by the investee to be €111 million, including €83 million in cash and €28 million in Visa Inc. stock (Convertible Participating Preferred Stock) convertible into class A shares within 12 years of the closing;
- €68 million relating to the fair value of 756,280 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;
- €3 million relating to the fair value of 11,444 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.

Fair value gains during the year amount to €126 million and have been recognised in the relevant equity reserve (section B3).

Derivative financial instruments

Movements in derivative financial instruments are as follows:

TAB. A5.3 – MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value
Balance at 1 January 2014	**–**	**–**	**2,225**	**(72)**	**3,900**	**(367)**	**–**	**–**	**–**	**–**	**6,125**	**(439)**
Increases/(decreases)(*)	225	13	–	132	3,575	(1,338)	400	–	–	–	4,200	(1,193)
Gains/(Losses) through profit or loss(**)	–	–	–	–	–	(1)	–	–	–	–	–	(1)
Transactions settled(***)	(225)	(13)	(525)	(59)	(180)	34	(400)	–	–	–	(1,330)	(38)
Balance at 31 December 2014	**–**	**–**	**1,700**	**1**	**7,295**	**(1,672)**	**–**	**–**	**–**	**–**	**8,995**	**(1,671)**
Increases/(decreases)(*)	–	–	–	12	4,780	404	108	4	2,700	2	7,588	422
Gains/(Losses) through profit or loss(**)	–	–	–	–	–	–	–	–	–	–	–	–
Transactions settled(***)	–	–	–	(39)	(320)	75	(108)	(4)	(2,700)	(2)	(3,128)	30
Balance at 31 December 2015	**–**	**–**	**1,700**	**(26)**	**11,755**	**(1,193)**	**–**	**–**	**–**	**–**	**13,455**	**(1,219)**
of which:												
Derivative assets	*–*	*–*	*375*	*47*	*3,635*	*281*	*–*	*–*	*–*	*–*	*4,010*	*328*
Derivative liabilities	*–*	*–*	*1,325*	*(73)*	*8,120*	*(1,474)*	*–*	*–*	*–*	*–*	*9,445*	*(1,547)*

(*) Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the year.
(**) Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.
(***) Transactions settled include forward transactions settled, accrued differentials and the 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 €12 million 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 a decrease in fair value of €404 million, whilst the hedged securities (tab. A5.2) have recorded a fair value gain of €432 million, with the difference of €28 million due to paid or accruing differentials.

In the year under review, the Company carried out the following transactions:

- entered into new asset swaps used as fair value hedges with a notional value of €4,780 million;
- settled asset swaps used as fair value hedges for securities sold, with a nominal value of €320 million.

Regarding derivative instruments recognised at fair value through profit or loss, the Company entered into new contracts with a total notional amount of €108 million, to generate a fixed return, for 2015, on the public customers' current account deposits deposited with the MEF, the majority shareholder, which earn a variable rate of return (tab. A5.1). These transactions generated gains of €4 million during the year, recognised in profit or loss (tab. C1.2.1).

A6 – FINANCIAL ASSETS

At 31 December 2015, financial assets outside the ring-fence are as follows:

TAB. A6 – FINANCIAL ASSETS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	486	464	950	535	636	1,171
Loans	478	409	887	525	466	991
Receivables	8	55	63	10	170	180
Available-for-sale financial assets	467	113	580	568	12	580
Equity instruments	5	–	5	5	–	5
Fixed-income instruments	462	107	569	563	6	569
Other investments	–	6	6	–	6	6
Total	**953**	**577**	**1,530**	**1,103**	**648**	**1,751**

Loans and receivables

Loans

Non-current portion

This item consists of two irredeemable subordinated loans of €400 million, issued to Poste Vita SpA 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.

Non-current loans also include €78 million (nominal amount €75 million) in Contingent Convertible Notes[77], subscribed on 23 December 2014 by Poste Italiane SpA, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI SpA[78]. The Notes were issued by Midco SpA, which in turn owns 51% of Alitalia SAI. The Contingent Convertible Notes, with a twenty-year term to maturity starting 1 January 2015, carry a nominal rate of interest of 7% per annum. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. Based on the latest available business plan of the Alitalia Group, a reasonable estimate of the effective interest rate payable on the Notes amounts to approximately 4.6%.

Current portion

This item (€409 million) regards short-term loans repayable by the end of 2016 and overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

(77) This is a loan convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument pursuant to art. 2346 of the Italian Civil Code, carrying the same rights associated with the loan.

(78) This is the so-called "Nuova Alitalia", the company to which all the aviation assets and activities of Alitalia Compagnia Aerea Italiana SpA, now CAI SpA, have been transferred. The company owns 100% of Midco SpA.

These loans break down as follows:

TAB. A6.1 – CURRENT PORTION OF LOANS

Name (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Loans	Inter-company accounts	Total	Loans	Inter-company accounts	Total
Direct subsidiaries						
Banca del Mezzogiorno-MedioCredito Centrale SpA	200	–	200	200	–	200
Mistral Air Srl	–	6	6	–	14	14
PatentiViaPoste ScpA	–	1	1	–	–	–
Poste Energia SpA	–	–	–	–	1	1
Poste Tributi ScpA	–	6	6	–	4	4
Poste Vita SpA	51	–	51	90	–	90
Postel SpA	–	44	44	–	45	45
PosteShop SpA	–	1	1	–	7	7
SDA Express Courier SpA	–	97	97	–	101	101
	251	**155**	**406**	**290**	**172**	**462**
Accrued interest on non-current loans	3	–	3	4	–	4
Total	**254**	**155**	**409**	**294**	**172**	**466**

Receivables

Receivables break down as follows:

TAB. A6.2 – RECEIVABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-Current assets	Current assets	Total	Non-Current assets	Current assets	Total
Due from MEF for repayment of loans accounted for in liabilities	–	3	3	1	116	117
Guarantee deposits	–	52	52	–	54	54
Due from purchasers of service accommodation	8	–	8	9	–	9
Total	**8**	**55**	**63**	**10**	**170**	**180**

The **amount due from the MEF**, expressed at the amortised cost(79), refers to the repayment of loans provided in the past by Cassa Depositi e Prestiti to the former Postal and Telecommunications Administration. At 31 December 2015, the fair value(80) of the receivable, which is expected to be collected by 2016, is €3 million.

During 2015, the Company collected receivables with a nominal value of €114 million and recognised interest income for the year, as calculated on the present value of the receivables. The difference of €2 million between the nominal value of the receivable of €3 million and the nominal value of the payable of €1 million (tab. B7), corresponding to its amortised cost, is due to partial repayment of the principal falling due in 2015 and not yet repaid by the MEF.

(79) 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.

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

Guarantee deposits of €52 million relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

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

(€m)	Equity	Fixed-income instruments		Other investments		Total
	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2014	**80**	**650**	**676**	**5**	**5**	**761**
Purchases	–	–	–	–	–	–
Redemptions	–	(150)	(150)	–	–	(150)
Transfers to equity reserves	–	–	–	–	–	–
Changes in amortised cost	–	–	(2)	–	–	(2)
Changes in fair value through equity	–	–	22	–	1	23
Changes in fair value through profit or loss	–	–	26	–	–	26
Effects of sales on profit or loss	–	–	–	–	–	–
Impairment	(75)	–	–	–	–	(75)
Accrued income for current year	–	–	6	–	–	6
Sales and settlement of accrued income	–	–	(9)	–	–	(9)
Balance at 31 December 2014	**5**	**500**	**569**	**5**	**6**	**580**
Purchases	–	–	–	–	–	–
Redemptions	–	–	–	–	–	–
Transfers to equity reserves	–	–	–	–	–	–
Changes in amortised cost	–	–	1	–	–	1
Changes in fair value through equity	–	–	4	–	–	4
Changes in fair value through profit or loss	–	–	(5)	–	–	(5)
Effects of sales on profit or loss	–	–	–	–	–	–
Impairment	–	–	–	–	–	–
Accrued income for current year	–	–	6	–	–	6
Sales and settlement of accrued income	–	–	(6)	–	–	(6)
Balance at 31 December 2015	**5**	**500**	**569**	**5**	**6**	**580**

Equity instruments

These instruments primarily include the investment in CAI SpA (formerly Alitalia CAI SpA), which was acquired for €75 million in 2013 and written off, the historical cost of approximately €4.5 million for the 15% equity interest in Innovazione e Progetti ScpA, which is in liquidation, unchanged from last year.

Fixed-income instruments

This item regards BTPs with a total nominal value of €500 million (a fair value of €569 million). Of these, instruments with a value of €375 million have been hedged using asset swaps designated as fair value hedges. Securities with a nominal value of €450 million are encumbered, as they have been delivered to counterparties in repurchase agreements (tab. B7.1).

Other investments

This item relates to units of equity mutual investment funds with a fair value of €6 million.

Derivative financial instruments

Movements in derivative financial instruments are as follows:

TAB. A 6.4 – MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	2015				2014			
	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	**–**	**(51)**	**(7)**	**(58)**	**–**	**(25)**	**–**	**(25)**
Increases/(decreases)[*]	1	(4)	1	(2)	–	(34)	(7)	(41)
Hedge completion	(6)	–	6	–	–	–	–	–
Gains/(Losses) through profit or loss[**]	–	–	–	–	–	–	–	–
Transactions settled[***]	–	9	–	9	–	8	–	8
Balance at 31 December	**(5)**	**(46)**	**–**	**(51)**	**–**	**(51)**	**(7)**	**(58)**
of which:								
Derivative assets	–	–	–	–	–	–	–	–
Derivative liabilities	*(5)*	*(46)*	–	*(51)*	–	*(51)*	*(7)*	*(58)*

(*) Increases / (decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

(**) Gains and losses through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial and insurance activities.

(***) Transactions settled include forward transactions settled, accrued differentials and the settlement of asset swaps linked to securities sold.

At 31 December 2015, outstanding derivative financial instruments report fair value[81] losses of €51 million 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 B.7). L The cash flow hedge of this derivative set in as of 25 October 2015, when the bond began to pay a variable interest rate. For this reason, the remaining negative change in fair value for €6 million was reclassified among cash flow hedging instruments while the positive change in fair value (for €1 million), which took place between the date of execution of the hedge and financial year-end, was recognised through equity, in the cash flow hedge reserve. With this transaction, the Company took on the obligation to pay a fixed rate of 4.035%.

(81) 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 *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	5	1,522	1,527	50	2,030	2,080
Subsidiaries	–	293	293	–	259	259
MEF	–	322	322	–	1,149	1,149
Total	**5**	**2,137**	**2,142**	**50**	**3,438**	**3,488**
of which attributable to BancoPosta RFC	–	*795*	*795*	–	*1,389*	*1,389*

Receivables due from customers

TAB. A7.1 – RECEIVABLES DUE FROM CUSTOMERS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	–	605	605	47	703	750
Cassa Depositi e Prestiti	–	397	397	–	901	901
Overseas counterparties	–	236	236	–	194	194
Unfranked mail delivered	27	150	177	21	147	168
Overdrawn current accounts	–	138	138	–	134	134
Amounts due for other BancoPosta services	–	109	109	–	79	79
Other trade receivables	–	279	279	–	250	250
Provisions for doubtful debts	(22)	(392)	(414)	(18)	(378)	(396)
Total	**5**	**1,522**	**1,527**	**50**	**2,030**	**2,080**
of which attributable to BancoPosta RFC	–	*587*	*587*	–	*1,172*	*1,172*

Specifically:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Integrated Notification and mailroom services, amounting to €246 million rendered to local government authorities (€92 million), Agencies and other central public entities (€78 million), Ministries and related local offices (€76 million);
  - Unfranked mail services provided on credit, totalling €81 million, provided to Ministries and local offices (€38 million), Agencies and other central government entities (€24 million), as well as local government authorities (€19 million);
  - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the *Ministero dello Sviluppo Economico* (Ministry for Economic Development), totalling €70 million, of which €3 million relates to the amount accrued during the year;
  - Pension and other employment related services on behalf of INPS (the National Institute of Social Security), totalling €61 million;
  - *Presidenza del Consiglio dei Ministri – Dipartimento dell'Editoria* (Cabinet Office – Publishing department), totalling

€52 million, relating to publisher tariff subsidies for the financial years from 2001 to 2010.

- Amounts due from **Cassa Depositi e Prestiti** refer to fees and commissions for BancoPosta's deposit-taking activities during the year. This amount, which fell from the comparable sum at 31 December 2014, reflects the new terms and conditions laid down in the Agreement dated 4 December 2014 whereby billing takes place quarterly instead of every six months.
- Receivables from **overseas counterparties** primarily relates to postal services carried out by the Company for overseas postal operators.
- Receivables arising from **Unfranked mail delivered** include €92 million in amounts due from customers who use the service on their own behalf and €85 million 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. €27 million of the total is classified in "Non-current assets".
- Receivables for **overdrawn current accounts** are amounts due to BancoPosta for temporarily overdrawn current accounts largely due to recurring BancoPosta bank charges, including accumulated sums that BancoPosta is in the process of recovering, which have largely been written down.
- **Amounts due for other BancoPosta services** refer to amounts due on insurance and banking services, personal loans, overdrafts and mortgages sold on behalf of third parties, totalling €81 million.
- **Other trade receivables** include: €29 million related to *Posta Target* services; €27 million for *Posta Time* services; €24 million generated by parcel post operations; €23 million for Advice and Billing Mail services; €19 million related to Notification of Legal Process service and €17 million for telegraphic services.

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

TAB. A7.2 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS

(€m)	Balance at 1 January 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2015
Overseas postal operators	8	(3)	–	–	5	(2)	–	–	3
Public Sector entities	137	(9)	3	–	131	(6)	3	–	128
Private customers	221	22	–	(1)	242	11	–	–	253
	366	**10**	**3**	**(1)**	**378**	**3**	**3**	**–**	**384**
Interest on late payments	18	8	–	(8)	18	13	–	(1)	30
Total	**384**	**18**	**3**	**(9)**	**396**	**16**	**3**	**(1)**	**414**
of which attributable to BancoPosta RFC	*121*	*7*	–	–	*128*	*10*	–	–	*138*

Provisions for doubtful debts relating to Public Sector entities regard amounts that may be partially unrecoverable as a result of legislation restricting government spending, delays in payment and problems at debtor entities. During 2015, part of these provisions was released to income following collection of originally doubtful receivables.

Provisions for doubtful debts relating to private customers include the amount set aside attributable to BancoPosta's operations, mainly to cover numerous individually immaterial amounts due from overdrawn current account holders.

Receivables due from direct and indirect subsidiaries

TAB. A7.3 – TRADE RECEIVABLES DUE FROM SUBSIDIARIES

Name *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Direct subsidiaries		
Banca del Mezzogiorno-MedioCredito Centrale SpA	4	3
BancoPosta Fondi SpA SGR	12	10
CLP ScpA	21	13
Consorzio PosteMotori	9	16
EGI SpA	1	1
Mistral Air Srl	1	2
PatentiViaPoste ScpA	4	4
Poste Tributi ScpA	6	6
Poste Vita SpA	137	82
Postecom SpA	7	9
Postel SpA	58	78
PosteMobile SpA	15	18
PosteShop SpA	1	1
SDA Express Courier SpA	12	5
Indirect subsidiaries		
Italia Logistica Srl	–	4
Poste Assicura SpA	5	7
Total	**293**	**259**
of which attributable to BancoPosta RFC	*165*	*116*

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 (€135 million);
- Postel SpA: mainly relating to receivables deriving from the delivery of Bulk Mail by Poste Italiane SpA and collected by the subsidiary (€50 million).

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 *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Universal Service compensation	334	1,087
Publisher tariff and electoral subsidies	83	117
Remuneration of current account deposits	15	72
Payment for delegated services	28	28
Distribution of euro converters	6	6
Other	3	5
Provisions for doubtful debts due from the MEF	(147)	(166)
Total	**322**	**1,149**
of which attributable to BancoPosta RFC	*43*	*101*

Specifically:

- **Universal Service compensation** includes:

TAB. A7.4.1 – UNIVERSAL SERVICE COMPENSATION RECEIVABLE

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Remaining balance for 2015	198	–
Remaining balance for 2014	55	336
Remaining balance for 2013	–	343
Remaining balance for 2012	23	350
Remaining balance for 2011	50	50
Remaining balance for 2005	8	8
Total	**334**	**1,087**

As described in note 2.4 above, receivables relating to Universal Service compensation at 31 December 2015 were determined in keeping with the existing subsidy cap mechanism foreseen by the *Contratto di Programma* (Service Contract) for 2009-2011 which, in accordance with the survival–of-term provision, remains in force until 1 January 2016, the date of entry into force of the new Service Contract for 2015-2019, which was approved on 19 February 2016 with its registration with the Court of Auditors. To this end:

– Regarding the balance outstanding of the compensation for 2015, provisions of €132 million have been made in the state budget for 2015 and €33 million in the state budget forecast for 2017, while no funds have been earmarked for the remaining €33 million.

– Regarding the balance outstanding of the 2014 compensation, provision of €14 million has been made in the state budget for 2016, while provision of €41 million has been made in the state budget forecast for 2017.

– Regarding the outstanding balance of compensation for 2013, which was collected in full in 2015, with resolution 493/14/CONS of 9 October 2014, AGCom has initiated an assessment of the net cost incurred by the Company. On 24 July 2015, the Authority notified the Company that it will extend the assessment also to financial year 2014.

– With reference to the services rendered in 2012, AGCom recognised a net cost incurred by the Company of €327 million, compared to compensation of €350 million calculated by the Company, which was collected in December 2015. Provision has not been made in the state budget for the remaining €23 million. The Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

- With reference to services rendered in 2011, AGCom recognised a sum of €381 million, compared to the €357 million calculated originally by the Company. Provision of €50 million has been made in the state budget for 2016.
- The outstanding receivable relating to compensation for 2005 was subject to final cuts by the budget laws of 2007 and 2008.

According to the new Service Contract, starting in 2016, the Company will receive Universal Service compensation on a monthly basis.

- Receivables arising from **electoral subsidies** refer solely to compensation for previous years.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2015 and largely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Payments for **delegated services** relate to fees accrued solely in the year under review for treasury services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, which was renewed on 11 June 2014 for the three-year period 2014-2016.

At 31 December 2015, 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 2.4 – *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

(€m)	Balance at 1 January 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2014	Net provisions	Deferred revenue	Uses	Balance at 31 December 2015
Provisions for doubtful debts	50	57	59	–	166	(68)	49	–	147
Total	**50**	**57**	**59**	**–**	**166**	**(68)**	**49**	**–**	**147**
of which attributable to BancoPosta RFC	*8*	*(8)*	*–*	*–*	*–*	*–*	*–*	*–*	*–*

Provisions for doubtful debts due from the MEF reflect the lack of funding and/or the uncertainty related to medium/long-term forecasts for the state budget, which make it difficult to collect certain receivables recognised on the basis of laws, contracts and agreements in force at the time of recognition. The release of provisions for €68 million in 2015 was due to new funding in the state budget. Similarly, the amount of deferred revenue relates, for about €66 million, to compensation for which no provision has been made in the state budget or for which provision is expected only in the medium term, minus €17 million for which provision has been made.

A8 – Other receivables and assets

This item breaks down as follows:

TAB. A8 – OTHER RECEIVABLES AND ASSETS

Item (€m)	Note	Balance at 31 December 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		716	503	1,219	563	553	1,116
Receivable from fixed-term contract settlements		144	95	239	161	98	259
Amounts due from social security agencies and pension funds (excluding fixed-term contracts settlements)		–	77	77	–	81	81
Amounts that cannot be drawn on due to court rulings		–	68	68	–	81	81
Accrued income and prepaid expenses from trading transactions and other assets		–	6	6	–	7	7
Tax assets		–	1	1	–	9	9
Other amounts due from subsidiaries		–	3	3	–	2	2
Sundry receivables		6	90	96	7	84	91
Provisions for doubtful debts due from others		–	(57)	(57)	–	(55)	(55)
Other receivables and assets		**866**	**786**	**1,652**	**731**	**860**	**1,591**
Receivable authorised by the 2015 Stability Law in implementation of the sentence of the European Court	[B2]	–	–	–	–	535	535
Interest accrued on IRES refund	[C10]	–	46	46	–	69	69
Total		**866**	**832**	**1,698**	**731**	**1,464**	**2,195**
of which attributable to BancoPosta RFC		*716*	*565*	*1,281*	*563*	*620*	*1,183*

Specifically:

- **Substitute tax paid,** which is attributable to BancoPosta RFC, primarily regards:
  - €716 million charged to holder of Interest bearing Postal Certificates for stamp duty at 31 December 2015[82]. This amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the Interest bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €290 million relating to stamp duty to be paid in virtual form in 2016 and to be charged to customers;
  - €163 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €23 million to withholding tax on interest paid to current account holders for 2015, which is to be recovered from customers.
- Amounts due from staff under **fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013 and 30 July 2015 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 €239 million from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2040.

(82) Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

Details of the individual agreements are provided below:

TAB A8.1 – RECEIVABLES FROM FIXED-TERM CONTRACT SETTLEMENTS

Item *(€m)*	Balance at 31 December 2015				Balance at 31 December 2014			
	Non-current assets	Current assets	Total	Nominal value	Non-current assets	Current assets	Total	Nominal value
Receivables								
due from staff under agreement of 2006	6	3	9	9	8	3	11	12
due from staff under agreement of 2008	47	16	63	69	58	20	78	87
due from staff under agreement of 2010	40	8	48	61	45	9	54	69
due from staff under agreement of 2012	34	7	41	52	38	8	46	59
due from staff under agreement of 2013	5	1	6	7	6	1	7	9
due from staff under agreement of 2015	6	2	8	8	–	–	–	–
due from former IPOST	–	42	42	42	–	41	41	41
due from INPS	6	11	17	19	6	11	17	20
due from pension funds	–	5	5	5	–	5	5	5
Total	**144**	**95**	**239**		**161**	**98**	**259**	

- Amounts that **cannot be drawn on due to court rulings** include €55 million in amounts seized and not assigned to creditors in the process of recovery, and €13 million in amounts stolen from the Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed.
- Movements in **provisions for doubtful debts due from others** are as follows:

TAB. A8.2 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS DUE FROM OTHERS

(€m)	Balance at 1 January 2014	Net provisions	Uses	Balance at 31 December 2014	Net provisions	Uses	Balance at 31 December 2015
Public Administration entities for sundry services	13	–	–	13	–	–	13
Receivables from fixed-term contract settlements	6	–	–	6	1	–	7
Other receivables	32	4	–	36	1	–	37
Total	**51**	**4**	**–**	**55**	**2**	**–**	**57**
of which attributable to BancoPosta RFC	*18*	*1*	–	*19*	*1*	–	*20*

As described in note B2, the receivable due from the MEF, totalling €535 million, authorised by the 2015 Stability Law (Law 190/2014), implementing the decision of the General Court of the European Union of 13 September 2013, was collected on 13 May 2015.

A9 – Cash and deposits attributable to BancoPosta

Details of this item are as follows:

TAB. A9 – CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Item *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Cash and cash equivalents in hand	2,943	2,750
Cheques	–	1
Bank deposits	218	122
Total	**3,161**	**2,873**

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€866 million) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€2,077 million). 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 €216 million.

A10 – Cash and cash equivalents

The item breaks down as follows:

TAB. A10 – CASH AND CASH EQUIVALENTS

Item *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Deposits with the MEF	391	934
Bank deposits and amounts held at the Italian Treasury	1,120	43
Cash and cash equivalents in hand	9	9
Total	**1,520**	**986**
of which attributable to BancoPosta RFC	*401*	*942*

At 31 December 2015, **cash deposited with the MEF** – held in the so-called buffer account – include approximately €217 million in customers' deposits subject to investment restrictions but not yet invested (note 4.2).

Bank deposits and amounts held at the Italian Treasury include €1,082 million deposited by the MEF in a non-interest bearing current account at the Italian Treasury on 15 October 2015 and released on 29 December 2015, following the decision of the European Commission on the compatibility of the Service Contract 2015-2019 with EU rules on state aid. Moreover, bank deposits and amounts held at the Italian Treasury include €11 million whose use is restricted by court orders related to different disputes.

EQUITY

Poste Italiane SpA's available and distributable reserves are shown below. Retained earnings include profit for 2015 of €451 million.

(€m)	**Amount at 31 December 2015**	**Potential use**
Share capital	**1,306**	
Revenue reserves:		
legal reserve	261	B
legal reserve	38	A B D
– Legal reserve	**299**	
– BancoPosta RFC reserve	**1,000**	– –
– Fair value reserve	**2,518**	– –
– Cash flow hedge reserve	**9**	– –
retained earnings	115	– –
retained earnings	949	C
retained earnings	1,450	A B D
– Retained earnings	**2,514**	
Total	**7,646**	
of which distributable	***1,488***	

A: for capital increases
B: to cover losses
C: to cover BancoPosta losses
D: for shareholder distributions

B1 – Share Capital

The share capital consists of 1,306,110,000 no-par value ordinary shares, of which the Ministry of the Economy and Finances holds 64.7%, while the remaining shares are held by institutional and retail investors.

At 31 December 2015 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.

B2 – Shareholders transactions

As decided by the General Meeting of shareholders held on 28 April 2015 the Company paid dividends totalling €250 million, based on a dividend per share of €0.19.

The other shareholder transactions, as shown in the statement of changes in equity, concern the tax effects resulting from the partial return of €535 million (€510 million, net of the tax effects on the interest portion) – as recognised in 2014 and contemplated by article 1, paragraph 281 of Law 190/2014, i.e. the 2015 Stability Law[83] – 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 on State Aid[84]. According to Company calculations, the sums due until

(83) Pursuant to a ruling of the General Court of the European Union dated 13 September 2013, which found in favour of the Company.

(84) Considering that the payment of the sums determined by the Decision of 2008 was made out of the Company's retained earnings – which "ideally" included the interest paid on Poste Italiane SpA's deposits with the MEF, regarded as inappropriate by the European Commission given that it was, in essence, a capital contribution by the State to a State-owned company – the sums returned by the MEF were credited to retained earnings, to the extent provided for in the 2015 Stability Law.

13 May 2015, inclusive of interest, amounted to €580 million[85]. As the 2016 Stability Law has introduced a reduction in the corporate income tax (IRES) rate from 2017, the tax effects of the payment were accounted for in 2015.

B3 – Reserves

TAB. B3 – RESERVES

(€m)	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2014	**299**	**1,000**	**521**	**(18)**	**1,802**
Increases/(decreases) in fair value during the year	–	–	1,791	144	1,935
Tax effect of changes in fair value	–	–	(569)	(46)	(615)
Transfers to profit or loss	–	–	(229)	(47)	(276)
Tax effect of transfers to profit or loss	–	–	73	15	88
Gains/(Losses) recognised in equity	–	–	1,066	66	1,132
Attribution of profit for 2013	–	–	–	–	–
Balance at 31 December 2014	**299**	**1,000**	**1,587**	**48**	**2,934**
of which attributable to BancoPosta RFC	–	*1,000*	*1,573*	*48*	*2,621*
Increases/(decreases) in fair value during the year	–	–	1,531	13	1,544
Tax effect of changes in fair value	–	–	(454)	(4)	(458)
Transfers to profit or loss	–	–	(383)	(71)	(454)
Tax effect of transfers to profit or loss	–	–	123	23	146
Adjustments for change in IRES tax rate introduced by 2016 Stability Law	–	–	114	–	114
Gains/(Losses) recognised in equity	–	–	931	(39)	892
Attribution of profit for 2014	–	–	–	–	–
Balance at 31 December 2015	**299**	**1,000**	**2,518**	**9**	**3,826**
of which attributable to BancoPosta RFC	–	*1,000*	*2,500*	*8*	*3,508*

Details are as follows:

- The **fair value reserve** regards changes in the fair value of available-for-sale financial assets which, during 2015, showed gains totalling €1,531 million as follows:
  - €1,527 million regarding the net fair value gain on available-for-sale financial assets attributable to BancoPosta RFC, consisting of €1,401 million in gains on securities and €126 million in gains on equity instruments;
  - €4 million regarding the net fair value gain on available-for-sale financial assets outside the ring-fence.
- the **cash flow hedge reserve** reflects changes in the fair value of the effective portion of cash flow hedges outstanding. In 2015, net fair value gains of €13 million include €12 million attributable to the value of BancoPosta RFC's derivative financial instruments and €1 million attributable to financial instruments held outside the ring-fence.

Information on the **BancoPosta RFC reserve** is provided in note 4.2.

(85) More specifically, with reference to the difference of €45 million between the amount claimed by the Parent Company and the amount recognised by law, at 31 December 2014 (i) retained earnings were increased up to the limit provided for by the 2015 Stability Law; (ii) the remaining €33 million in interest accrued until 31 December 2013 was written off; and (iii) an adjustment of €9 million was made in relation to interest for the year. In 2015, an adjustment was made in relation to the €3 million accrued until the day the sum was collected.

LIABILITIES

B4 – Provisions for risks and charges

Movements in provisions for risks and charges are as follows:

TAB. B4 – MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES
MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES IN THE YEAR ENDED 31 DECEMBER 2015

Item (€m)	Balance at 31 December 2014	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2015
Provisions for non-recurring charges	270	49	–	(4)	(29)	286
Provisions for disputes with third parties	346	57	1	(22)	(25)	357
Provisions for disputes with staff(1)	181	15	–	(21)	(36)	139
Provisions for personnel expenses	106	74	–	(24)	(33)	123
Provisions for restructuring charges	257	316	–	–	(257)	316
Provisions for expired and statute barred postal savings certificates	13	–	–	–	–	13
Provisions for taxation	6	–	–	(2)	–	4
Other provisions	68	7	–	(5)	(10)	60
Total	**1,247**	**518**	**1**	**(78)**	**(390)**	**1,298**
of which attributable to BancoPosta RFC	*358*	*71*	*1*	*(7)*	*(39)*	*384*
Overall analysis of provisions:						
– non-current portion	543					569
– current portion	704					729
	1,247					**1,298**

(1) Net releases for personnel expenses total €12 million. Service costs (legal assistance) total €7 million, whilst other releases total €1 million.

MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES IN THE YEAR ENDED 31 DECEMBER 2014

Item (€m)	Balance at 31 December 2013	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31 December 2014
Provisions for non-recurring charges	262	46	–	(18)	(20)	270
Provisions for disputes with third parties	316	68	1	(29)	(10)	346
Provisions for disputes with staff(1)	221	25	–	(25)	(40)	181
Provisions for personnel expenses	102	60	–	(10)	(46)	106
Provisions for restructuring charges	114	257	–	–	(114)	257
Provisions for expired and statute barred postal savings certificates	13	–	–	–	–	13
Provisions for taxation	8	–	–	(1)	(1)	6
Other provisions	53	21	–	(4)	(2)	68
Total	**1,089**	**477**	**1**	**(87)**	**(233)**	**1,247**
of which attributable to BancoPosta RFC	*348*	*56*	*1*	*(21)*	*(26)*	*358*
Overall analysis of provisions:						
– non-current portion	511					543
– current portion	578					704
	1,089					**1,247**

(1) Net releases for personnel expenses total €7 million. Service costs (legal assistance) total €7 million.

Specifically:

- **Provisions for non-recurring charges** relate to operational risks arising from BancoPosta's operations. They primarily regard the liabilities arising from the reconstruction of operating ledger entries at the time of the Company's incorporation, liabilities deriving from the provision of delegated services for social security agencies, fraud, violations of administrative regulations, compensation and adjustments to income for previous years, 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 and estimated risks for charges and expenses to be incurred in connection with seizures effected by BancoPosta as garnishee-defendant. Provisions for the year primarily reflect liabilities deriving from the wrong application of statute-of-limitation terms, administrative violations and risks related to delegated services. Uses, amounting to €29 million, relate to settlement of disputes and payment of other liabilities during the period. Releases to profit or loss, amounting to €4 million, relate to liabilities recognised in the past that have 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 €57 million reflect the estimated value of new liabilities measured on the basis of expected outcomes. The reduction of €22 million relates to the reversal of liabilities recognised in the past, whilst a reduction of €25 million regards the value of disputes settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various type. Net releases of €6 million 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 €36 million regard amounts used to cover the cost of settling disputes.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, with are certain or likely to occur but whose estimated amount is subject to change. They have increased by €74 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€24 million) and settled disputes (€33 million).
- **Provisions for restructuring charges** reflect the estimated costs to be incurred by the Company for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2017. Use of €257 million was made during the year under review.
- **Provisions for expired and statute barred Postal Certificates** held by BancoPosta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2015, the provisions represent the present value of total liabilities, based on a nominal value of €21 million, expected to be progressively settled by 2043.
- **Provisions for taxation 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 €7 million for the year regard the first two types of liability.

B5 – Employee Termination Benefits

Movements in employee termination benefits are as follows:

TAB. B5 – MOVEMENTS IN PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS

(€m)	2015	2014
Balance at 1 January	**1,434**	**1,301**
interest component	27	38
effect of actuarial gains/(losses)	(79)	171
Provisions for the year	(51)	209
Uses for the year	(63)	(76)
Balance at 31 December	**1,320**	**1,434**
of which attributable to BancoPosta RFC	*19*	*20*

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 €63 million, of which €3 million to substitute tax and €1 million 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 2015	At 30 June 2015	At 31 December 2014
Discount rate	2.03%	2.06%	1.49%
Inflation rate	1.50% for 2016	0.60% for 2015	0.60% for 2015
	1.80% for 2017	1.20% for 2016	1.20% for 2016
	1.70% for 2018	1.50% 2017 and 2018	1.50% 2017 and 2018
	1.60% for 2019	2.00% from 2019 on	2.00% from 2019 on
	2.00% from 2020 on		
Annual rate of increase of employee termination benefits	2.625% for 2016	1.95% for 2015	1.95% for 2015
	2.850% for 2017	2.4% for 2016	2.4% for 2016
	2.775% for 2018	2.625% 2017 and 2018	2.625% 2017 and 2018
	2.70% for 2019	3.0% from 2019 on	3.0% from 2019 on
	3.0% from 2020 on		

TAB. B5.2 – DEMOGRAPHIC ASSUMPTIONS

	At 31 December 2015
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

TAB. B5.3 – ACTUARIAL GAINS AND LOSSES

(€m)	At 31 December 2015	At 31 December 2014
Change in demographic assumptions	3	–
Change in financial assumptions	(66)	189
Other experience-related adjustments	(16)	(18)
Total	**(79)**	**171**

TAB. B5.4 – SENSITIVITY ANALYSIS

(€m)	Employee termination benefits at 31 December 2015	Employee termination benefits at 31 December 2014
Inflation rate +0.25%	1,340	1,457
Inflation rate -0.25%	1,300	1,412
Discount rate +0.25%	1,288	1,399
Discount rate -0.25%	1,353	1,472
Turnover rate +0.25%	1,319	1,432
Turnover rate -0.25%	1,321	1,437

TAB. B5.5 – OTHER INFORMATION

	At 31 December 2015
Service Cost expected for 2015	–
Average duration of defined benefit plan	10.6
Average employee turnover	0.41%

B6 – Financial liabilities attributable to BancoPosta

This item breaks down as follows:

TAB. B6 – FINANCIAL LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	–	43,684	43,684	–	40,792	40,792
Borrowings	3,384	1,511	4,895	1,501	4,139	5,640
Borrowings from financial institutions	3,384	1,511	4,895	1,501	4,139	5,640
Derivative financial instruments	1,546	1	1,547	1,723	(3)	1,720
Cash flow hedges	*82*	*(9)*	*73*	*55*	*(7)*	*48*
Fair value hedges	*1,464*	*10*	*1,474*	*1,668*	*4*	*1,672*
Other financial liabilities	–	3,109	3,109	–	2,347	2,347
Total	**4,930**	**48,305**	**53,235**	**3,224**	**47,275**	**50,499**

Payables deriving from postal current accounts

These payables include net amounts accrued at 31 December 2015 and settled with customers in January 2016. The balance includes amounts due to Poste Italiane Group companies, totalling €215 million, with €111 million deposited in postal current accounts by Poste Vita SpA.

Borrowings

Financial institutions borrowings

At 31 December 2015, financial institutions borrowings amount to €4,895 million and regard repurchase agreements, having a nominal value of €4,569 million, entered into with major financial institutions. These liabilities consist of:

- €4,111 million (€9 million of which accrued interest) relating to Long Term Repo entered into with primary counterparties, with the resulting resources invested in Italian fixed-income government securities of a matching nominal amount;
- €784 million relating to BancoPosta's ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers.

At 31 December 2015, the fair value[86] of the above borrowings amounts to €4,949 million.

Derivative financial instruments

Movements in derivative financial instruments during 2015 are described in section A5. Net fair value losses on the current portion of these instruments, which include income from differentials accruing at 31 December 2015, total €1,547 million.

(86) 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 (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	–	1,454	1,454	–	938	938
Domestic and international money transfers	–	532	532	–	520	520
Cheques to be credited to post office savings books	–	508	508	–	333	333
Tax collection and road tax	–	106	106	–	137	137
Amounts to be credited to customers	–	168	168	–	124	124
Endorsed cheques	–	135	135	–	158	158
Other amounts payable to third parties	–	65	65	–	62	62
Guarantee deposits	–	81	81	–	34	34
Payables for items in process	–	60	60	–	41	41
Total	**–**	**3,109**	**3,109**	**–**	**2,347**	**2,347**

Specifically:

- **Amounts due on prepaid cards**, totalling €1,445 million, relate to the electronic top-up of Postepay cards. The increase was due mainly to Postepay Evolution, a new product.
- **Amounts due on domestic and international money transfers** represent the exposure to third parties for:
  - domestic postal orders, totalling €396 million;
  - domestic and international transfers, totalling €136 million.
- **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**, totalling €81 million, include €76 million received in relation to Asset swaps (collateral provided by specific Credit Support Annexes) and €5 million received from counterparties in relation to repurchase agreements covering fixed-income securities (collateral under specific Global Master Repurchase Agreements).

B7 – Financial liabilities

Financial liabilities break down as follows:

TAB. B7 – FINANCIAL LIABILITIES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Borrowings	1,197	527	1,724	1,197	1,358	2,555
Bonds	797	14	811	796	13	809
Amounts due to Cassa Depositi e Prestiti for loans	–	1	1	1	2	3
Borrowings from financial institutions	400	512	912	400	1,343	1,743
Derivative financial instruments	48	3	51	55	3	58
Fair value hedges	43	3	46	48	3	51
Fair value through profit or loss	–	–	–	7	–	7
Cash flow hedges	5	–	5	–	–	–
Financial liabilities due to subsidiaries	–	72	72	–	887	887
Other financial liabilities	–	1	1	–	5	5
Total	**1,245**	**603**	**1,848**	**1,252**	**2,253**	**3,505**

Borrowings

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants, which would require the Company to comply with financial ratios or maintain a certain minimum rating. Financial institutions borrowings are subject to standard negative pledge clauses[87].

Bonds

As part of the Company's EMTN – Euro Medium Term Note programme, totalling €2 billion, the following bonds listed on the Luxembourg Stock Exchange were issued in 2013:

- bonds with a nominal value of €750 million, placed through a public offering for institutional investors at a price below par of €99.66 on 18 June 2013. The bonds have a term to maturity of five years and pay annual coupon interest at a fixed rate of 3.25%. The fair value[88] of this borrowing at al 31 December 2015 is €815 million;
- 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 cash flow interest rate risk exposure was hedged as described in section A6. The fair value[89] of this borrowing at 31 December 2015 is €55 million.

(87) A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking pari passu with existing creditors, unless the same degree of protection is also offered to them.

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

(89) 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 whose residual value, measured at the amortised cost at 31 December 2015, and whose fair value[90] at the same date is €1 million. The outstanding principal assigned by law to the Ministry of the Economy and Finance is offset by a receivable, recognised as a financial asset due from the MEF, which will be collected in keeping with the loans' repayment schedules.

Borrowings from financial institutions

TAB. B7.1 – BORROWINGS FROM FINANCIAL INSTITUTIONS

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	–	510	510	–	564	564
EIB fixed rate loan maturing 11 April 2018	200	–	200	200	–	200
EIB fixed rate loan maturing 23 March 2019	200	–	200	200	–	200
Short-term borrowings	–	–	–	–	775	775
Accrued interest expense	–	2	2	–	4	4
Total	**400**	**512**	**912**	**400**	**1,343**	**1,743**

At 31 December 2015, outstanding repurchase agreements, totalling €510 million, involve securities with a total nominal amount of €450 million, entered into during the year to optimise returns and to meet its short-term liquidity requirements. The fair value[91] of these repurchase agreements amounts to €510 million.

The fair value[92] of the two fixed rate EIB loans, totalling €400 million, is €405 million.

The carrying amount of the other financial liabilities in table B7 approximates to their fair value.

Credit facilities

At 31 December 2015, the following credit facilities are available:

- committed lines of €800 million;
- uncomitted lines of credit of €1,118 million;
- overdraft facilities of €81 million;
- unsecured guarantee facilities with a value of €347 million.

At 31 December 2015, the committed and uncommited lines have not been used. Unsecured guarantees with a value of €162 million have been used on behalf of Poste Italiane SpA and with a value €54 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.

(90) In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
(91) In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
(92) In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Moreover, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €545 million, and the facility is unused at 31 December 2015.

The existing lines of credit and medium/long-term borrowings are adequate to meet expected financing requirements.

Derivative financial instruments

At 31 December 2015, these instruments have a fair value of €51 million (€58 at 31 December 2014). Movements in derivative financial instruments during 2015 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. B7.2 – FINANCIAL LIABILITIES DUE TO SUBSIDIARIES

Name *(€m)*	**Balance at 31 December 2015**			**Balance at 31 December 2014**		
	Loans	**Inter-company accounts**	**Total**	**Loans**	**Inter-company accounts**	**Total**
Direct subsidiaries						
BancoPosta Fondi SpA SGR	–	2	2	–	3	3
EGI SpA	–	3	3	–	135	135
PosteTutela SpA	–	5	5	–	10	10
Poste Vita SpA	–	36	36	–	703	703
Postecom SpA	–	–	–	–	15	15
PosteMobile SpA	–	26	26	–	21	21
Total	**–**	**72**	**72**	**–**	**887**	**887**

B8 – Trade payables

TAB. B8 – TRADE PAYABLES

Item *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
Amounts due to suppliers	784	754
Amounts due to subsidiaries	250	274
Prepayments and advances from customers	185	185
Other trade payables	10	9
Total	**1,229**	**1,222**
of which attributable to BancoPosta RFC	*65*	*70*

Amounts due to suppliers

TAB. B8.1 – AMOUNTS DUE TO SUPPLIERS

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Italian suppliers	655	635
Overseas suppliers	15	15
Overseas counterparties[(1)]	114	104
Total	**784**	**754**
of which attributable to BancoPosta RFC	*23*	*31*

(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 *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Direct subsidiaries		
CLP ScpA	101	65
Consorzio per i Servizi di Telefonia Mobile ScpA	38	47
EGI SpA	17	–
Mistral Air Srl	–	1
PatentiViaPoste ScpA	1	1
Poste Energia SpA	–	18
Poste Tributi ScpA	4	3
PosteTutela SpA	32	41
Postecom SpA	19	35
Postel SpA	17	2
PosteMobile SpA	3	3
PosteShop SpA	2	1
SDA Express Courier SpA	16	2
Indirect subsidiaries		
PostelPrint SpA	–	55
Total	**250**	**274**
of which attributable to BancoPosta RFC	*32*	*30*

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 – REPAYMENTS AND ADVANCES FROM CUSTOMERS

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Overseas counterparties	92	80
Automated franking	60	66
Unfranked mail	12	17
Postage-paid mailing services	5	6
Other services	16	16
Total	**185**	**185**
of which attributable to BancoPosta RFC	*–*	*–*

B9 – Other liabilities

TAB. B9 – OTHER LIABILITIES

Item *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	–	774	774	–	751	751
Social security payables	40	428	468	43	471	514
Other tax liabilities	716	172	888	563	139	702
Amounts due to the MEF	–	21	21	–	21	21
Other amounts due to subsidiaries	7	29	36	3	17	20
Sundry payables	84	31	115	84	20	104
Accrued expenses and deferred income from trading transactions	14	19	33	12	15	27
Total	**861**	**1,474**	**2,335**	**705**	**1,434**	**2,139**
of which attributable to BancoPosta RFC	*792*	*100*	*892*	*639*	*73*	*712*

Amounts due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2015. The following table shows a breakdown:

TAB. B9.1 – AMOUNTS DUE TO STAFF

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Fourteenth month salaries	233	234
Incentives	411	298
Accrued vacation pay	53	55
Other amounts due to staff	77	164
Total	**774**	**751**
of which attributable to BancoPosta RFC	*13*	*11*

At 31 December 2015, incentives that at 31 December 2014 were included in provisions for restructuring were determinable with reasonable certainty and, as such, were recognised as payables.

Social security payables

TAB. B9.2 – SOCIAL SECURITY PAYABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	–	340	340	–	384	384
Pension funds	–	80	80	–	78	78
INAIL	40	3	43	43	3	46
Other agencies	–	5	5	–	6	6
Total	**40**	**428**	**468**	**43**	**471**	**514**
of which attributable to BancoPosta RFC	*–*	*6*	*6*	*–*	*6*	*6*

Specifically:

- **Amounts due to the *Istituto Nazionale per la Previdenza Sociale*** (*INPS*, the National Institute of Social Security) primarily relate to amounts due on salaries paid and accrued at 31 December 2015. This item also includes provisions for employee termination benefits still to be paid.
- **Amounts payable to pension funds** relate to sums due to FondoPoste and other pension funds following the decision by certain of the Company's employees to join supplementary funds.
- **Amounts due to the *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*** (*INAIL*, the National Occupational Injury Compensation Authority) relate to injury compensation paid to employees of the Company for injuries occurring up to 31 December 1998.

Other tax liabilities

Other tax liabilities break down as follows:

TAB. B9.3 – OTHER TAX LIABILITIES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Withholding tax on employees' and consultants' salaries	–	108	108	–	97	97
Withholding tax on postal current accounts	–	7	7	–	21	21
Stamp duty payable	716	43	759	563	–	563
Substitute tax	–	–	–	–	1	1
Other taxes due	–	14	14	–	20	20
Total	**716**	**172**	**888**	**563**	**139**	**702**
of which attributable to BancoPosta RFC	*716*	*59*	*775*	*563*	*35*	*598*

In particular:

- **Withholding tax on employees' and consultants' salaries** relates to amounts paid to the tax authorities by the Company in January and February 2016 as the withholding agent.
- **Withholding tax due on postal current accounts** refers to amounts withheld by BancoPosta RFC on interest accrued during the year on customer current accounts.
- **Stamp duty** represents the amount payable to the tax authorities in virtual form after the adjustment made in 2016 in accordance with note 3bis to art. 13 of the Tariff introduced by Presidential Decree 642/1972. The non-current portion of stamp duty regards the amount accrued at 31 December 2015 on Interest-bearing Postal Certificates outstanding, as referred to in section A8.

Amounts due to the MEF

This item includes:

- €12 million, reflecting payables arising from pension payments made by the MEF to former Poste Italiane SpA employees between 1 January 1994 and 31 July 1994;
- €9 million, relating to the return of the extraordinary contribution, pursuant to article 2 Law 778/85, received from the MEF to cover shortfalls of the pension fund of the former Postal and Telecommunications Administration.

The items in question were reviewed by a joint working group created with the MEF – Department of Treasury and General Accounting Department and included in the letter dated 7 August 2015.

Other amounts due to subsidiaries

TAB. B9.4 – OTHER AMOUNTS DUE TO SUBSIDIARIES

Name *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Direct subsidiaries						
Mistral Air Srl	–	2	2	1	2	3
Poste Vita SpA	–	12	12	–	1	1
Postel SpA	–	3	3	–	2	2
Poste Holding Participações do Brasil Ltda	–	–	–	–	1	1
PosteShop SpA	1	1	2	–	–	–
SDA Express Courier SpA	6	11	17	2	10	12
Indirect subsidiaries						
PostelPrint SpA	–	–	–	–	1	1
Total	**7**	**29**	**36**	**3**	**17**	**20**
of which attributable to BancoPosta RFC	–	–	–	–	–	–

This item primarily regards the amount payable by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (note 2.2 – *Summary of significant accounting standards and policies*), to subsidiaries in return for the transfer of tax credits for advance payments, withholding taxes paid and tax paid overseas, less IRES payable by subsidiaries to the consolidating entity, and the benefit linked to the tax losses transferred from 2015 from PosteShop SpA and SDA Express Courier SpA.

Sundry payables

This item breaks down as follows:

TAB. B9.5 – SUNDRY PAYABLES

Item (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	76	8	84	76	10	86
Guarantee deposits	8	–	8	8	–	8
Other	–	23	23	–	10	10
Total	**84**	**31**	**115**	**84**	**20**	**104**
of which attributable to BancoPosta RFC	*76*	*8*	*84*	*76*	*10*	*86*

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 (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	–	2	2	–	3	3
Deferred income	14	17	31	12	12	24
Total	**14**	**19**	**33**	**12**	**15**	**27**
of which attributable to BancoPosta RFC	*–*	*14*	*14*	*–*	*11*	*11*

Deferred income outside the ring-fence primarily regards:

- €10 million in grants approved by the competent public authorities in favour of the Company, whose matching costs have not been incurred yet;
- €5 million (of which €4 million relates to income to be recognised after 2015) 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 (€14 million) regards fees on Postemat and Postepay Evolution cards collected in advance.

STATEMENT OF PROFIT OR LOSS

C1 – Revenue from sales and services

Revenue from sales and services, amounting to €8,205 million, breaks down as follows:

TAB. C1 – REVENUE FROM SALES AND SERVICES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Postal services	3,044	3,169
BancoPosta services	5,087	5,228
Other sales of goods and services	74	74
Total	**8,205**	**8,471**

Postal services

Revenue from Postal Services breaks down as follows:

TAB. C1.1 – REVENUE FROM POSTAL SERVICES

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Unfranked mail	1,111	1,149
Automated franking by third parties and at post offices	827	882
Stamps	224	248
Integrated services	220	216
Postage-paid mailing services	115	130
Overseas mail and parcels	127	115
Telegrams	40	43
Other postal services	101	92
Total market revenues	**2,765**	**2,875**
Universal Service compensation	279	277
Electoral tariff subsidies(1)	–	17
Total	**3,044**	**3,169**

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

In detail:

- **Unfranked mail** relates to revenue from the mailing of correspondence by large customers from the post office network, including those conducted using the Bulk Mail formula.
- **Automated franking by third parties or at post offices** relates to revenue from the mailing of correspondence franked by customers or at post offices using a franking machine.
- **Stamps** relates to the sale of stamps through post offices and authorised outlets, and sales of stamps used for franking on credit.
- **Integrated services** relate primarily to the delivery of administrative notices and fines (€195 million).
- **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 €18 million and €7 million, respectively.

- **Universal Service compensation** relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Compensation for services rendered in 2015 was recognised in the amount of €262 million, reflecting the provision made in the state budget for the purposes provided for by article 1 paragraph 274 of Law 190/2014 (2015 Stability Law) which were unchanged at the reporting date. To this end, reference is made to note 2.4 – *Use of estimates* and A7.4 – *Due from the MEF*. The remaining amount due of €279 million reflects revenue previously written down in provisions for doubtful debts due from the MEF, after the Ministry made new provision to honour previous contractual obligations.
- **Electoral tariff subsidies** relate to amounts paid by the state to cover reductions and preferential prices granted to election candidates under Law 515/93.

BancoPosta services

This revenue breaks down as follows:

TAB. C1.2 – REVENUE FROM BANCOPOSTA SERVICES

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Fees for collection of postal savings deposits	1,610	1,640
Income from investment of postal current account deposits	1,546	1,659
Revenue from current account services	510	508
Commissions on payment of bills by payment slip	456	493
Insurance brokerage	418	361
Distribution of loan products	134	120
Fees for issue and use of prepaid cards	130	115
Income from delegated services	123	136
Money transfers	45	55
Distribution of investment funds	22	18
Securities custody	8	12
Commissions from securities placements and trading	5	9
Other products and services	80	102
Total	**5,087**	**5,228**

In particular:

- **Fees for the collection of postal savings deposits** relate to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.
- **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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Income from investments in securities	1,508	1,586
Interest income on held-to-maturity financial assets	573	632
Interest income on available-for-sale financial assets	930	913
Interest income on securities held for trading	1	–
Interest income on asset swaps of available-for-sale financial assets	4	41
Income from deposits held with the MEF	38	73
Remuneration of current account deposits (deposited with the MEF)	34	73
Differential on derivatives stabilising returns	4	–
Total	**1,546**	**1,659**

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.

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited by Public Administration entities. The remuneration received on Public Administration deposits includes €4 million in net differentials swapped in relation to the forward purchases and spot sales described in section A5, designed to smooth out returns on the deposits with the MEF.

- **Other revenue from current account services** primarily relates to charges on current accounts (€211 million), fees on amounts collected and on statements of account sent to customers (€121 million), annual fees on debit cards (€27 million) and related transactions (€68 million).
- **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 (€60 million), and for the provision of treasury services on the basis of the agreement with the MEF (€57 million).
- **Other products and services** mainly reflect fees deriving from the processing of tax payment forms (F24) (€70 million).

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 €29 million, income from call centre services, amounting to €3 million, and income from the provision of ancillary franking and packaging services, totalling approximately €1 million.

C2 – Other income from financial activities

TAB. C2 – OTHER INCOME FROM FINANCIAL ACTIVITIES

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Income from available-for-sale financial assets	426	386
Realised gains	426	386
Income from fair value hedges	2	–
Fair value gains	2	–
Foreign exchange gains	5	3
Unrealised gains	1	1
Realised gains	4	2
Total	**433**	**389**

C3 – Other operating income

This item regards the following:

TAB. C3 – OTHER OPERATING INCOME

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Dividends from subsidiaries	331	201
Recoveries of contract expenses and other recoveries	16	20
Lease rentals	15	15
Government grants	14	12
Gains on disposals	5	1
Recovery of cost of seconded staff	3	2
Increases to estimates of previous years(1)	–	39
Other income	15	16
Total	**399**	**306**

(1) See note 2.2.

Dividends from subsidiaries

TAB. C3.1 – DIVIDENDS FROM SUBSIDIARIES

Name *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Poste Vita SpA	150	80
EGI SpA	72	41
Banca del Mezzogiorno-MedioCredito Centrale SpA	34	–
Postecom SpA	30	–
PosteMobile SpA	25	30
BancoPosta Fondi SpA SGR	20	50
Total	**331**	**201**

Lease rentals

TAB. C3.2 – LEASE RENTALS

Item (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
Rental income from investment property	2	2
Residential properties	2	2
Rental income on commercial property	9	9
Intercompany rentals	5	5
Antenna sites	1	1
Other rental income	3	3
Recovery of expenses, transaction costs and other income[1]	4	4
Total	**15**	**15**

(1) This item primarily regards the recovery of expenses incurred directly by Poste Italiane SpA and passed on to tenants. This category does not include extraordinary maintenance costs.

Under the relevant lease agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes. No significant extraordinary maintenance costs were transferred to tenants via increases in rents.

Gains on disposals

TAB. C3.3 – GAINS ON DISPOSALS

Item (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
Gains on disposal of investment property	2	1
Gains on disposal of investments	3	–
Total	**5**	**1**

For the purposes of reconciliation with the statement of cash flows, for 2015 this item amounts to €3 million after losses of €2 million. For 2014, this item amounted to €3 million after losses of €2 million.

C4 – Cost of goods and services

This item breaks down as follows:

TAB. C4 – COST OF GOODS AND SERVICES

Item (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
Services	1,360	1,367
Lease expense	300	311
Raw, ancillary and consumable materials and goods for resale	107	121
Interest expense	52	122
Total	**1,819**	**1,921**

Cost of services

This item breaks down as follows:

TAB. C4.1 – COST OF SERVICES

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Transport of mail, parcels and forms	196	221
Routine maintenance and technical assistance	185	182
Personnel services	155	152
Outsourcing fees and external service charges	139	155
Energy and water	130	129
Transport of cash	88	91
Telecommunications and data transmission	82	82
Advertising and promotions	79	36
Credit and debit card fees and charges	73	65
Cleaning,waste disposal and security	66	66
Mail, telegraph and telex	64	70
Printing and enveloping services	44	60
Consultants' fees and legal expenses	39	19
Insurance premiums	10	12
Agent commissions and other	8	9
Securities custody and management fees	2	2
Automated services from the Department of Land Transportation	–	16
Total	**1,360**	**1,367**

Lease expense

Lease expense breaks down as follows:

TAB. C4.2 – LEASE EXPENSE

Item *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Property rentals	165	169
Lease rentals	157	160
Ancillary costs	8	9
Vehicle leases	74	82
Equipment hire and software licenses	56	56
Other lease expense	5	4
Total	**300**	**311**

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 *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Fuels and lubricants	48	53
Stationery and printed matter	23	26
Printing of postage and revenue stamps	8	9
Consumables and goods for resale	28	33
Total	**107**	**121**

Interest expense

This item refers to the following:

TAB. C4.4 – INTEREST EXPENSE

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest on customers' deposits	30	93
Interest expense on repurchase agreements	21	29
Interest paid to MEF(1)	1	–
Total	**52**	**122**

(1) In 2015, returns on the Company's deposits with the MEF were negative. Consequently, for the year under review, total interest expense in relation to deposits with the MEF amounts to €1 million. Of this amount, €0.2 million relates to cash deposits and has been recognised in finance costs.

Compared to the previous year, interest paid to customers decreased, mainly as a result of a fall in the interest rates paid on certain postal current accounts.

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 (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
Expenses from financial instruments at fair value through profit or loss	2	–
Realised losses	2	–
Expenses from available-for-sale financial instruments	–	4
Realised losses	–	4
Expenses from fair value hedges	–	2
Fair value losses	–	2
Other expenses	1	–
Total	**3**	**6**

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 (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Wages and salaries		4,163	4,186
Social security contributions		1,173	1,178
Provisions for employee termination benefits: supplementary pension funds and INPS		258	260
Agency staff		1	4
Remuneration and expenses paid to Directors		1	2
Redundancy payments		76	151
Net provisions (reversals) for disputes with staff	[tab. B4]	(12)	(7)
Provisions for restructuring charges	[tab. B4]	316	257
Other staff costs/(cost recoveries)		(70)	(59)
Total expenses		**5,906**	**5,972**
Income from fixed-term contract settlements		(11)	–
Total		**5,895**	**5,972**

Net provisions for disputes with staff and provisions to restructuring charges are described in section B4.

Cost recoveries primarily regard revised estimates for previous years.

Amounts due from staff under fixed-term and agency contracts refer to the individual arrangements resulting from the agreement reached on 30 July 2015 by Poste Italiane SpA and the trade unions regarding the re-employment by court order of staff previously employed on fixed-term and agency contracts. The agreement made it possible to finalise arrangements with approximately 940 individuals who had been employed by the Company by virtue of court orders not yet become final.

Under the terms of these arrangements, these employees waived the legal and economic effects of the re-employment ruling and about 929 of them undertook to return, in instalments over the medium/long term, without interest, the back-pay collected for the periods not worked, which the Company had expensed out in previous years.

These salaries amounted to approximately €11.3 million, but the Parent Company recognised the present value of €11 million as income for the current year.

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

TAB. C6.1 – WORKFORCE

Permanent workforce	Average workforce		Year-end workforce	
	2015	2014	At 31 December 2015	At 31 December 2014
Executives	612	597	612	587
Middle managers (A1)	6,447	6,422	6,392	6,399
Middle managers (A2)	8,175	8,151	8,065	8,130
Grades B, C, D	118,934	120,729	117,244	119,105
Grades E, F	1,346	2,101	1,079	1,576
Total permanent workforce(*)	**135,514**	**138,000**	**133,392**	**135,797**

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

Furthermore, taking account of staff on flexible contracts, the average number of full-time equivalent staff in 2015 is 139,133 (in 2014: 140,060).

C7 – Depreciation, amortisation and impairments

This item breaks down as follows:

TAB. C7 – DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Item *(€m)*	Year ended 31 December 2015	Year ended 31 December 2014
Property, plant and equipment	314	324
Properties used in operations	106	104
Plant and machinery	88	98
Industrial and commercial equipment	9	11
Leasehold improvements	29	29
Other assets	82	82
Impairments/recoveries/adjustments of property, plant and equipment(1)	(12)	47
Depreciation of investment property	5	5
Amortisation and impairments of intangible assets	178	203
Industrial patents and intellectual property rights	178	203
Total	**485**	**579**

(1) See note A1.

C8 – Other operating costs

Other operating costs break down as following:

TAB. C8 – OTHER OPERATING COSTS

Item *(€m)*	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Net provisions and losses on doubtful debts (uses of provisions)		(63)	71
Provisions for receivables due from customers	[tab. A7.2]	3	10
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.5]	(68)	57
Provisions (reversal of provisions) for sundry receivables	[tab. A8.2]	2	4
Operational risk events		39	29
Thefts during the year	[tab. A5.1.1 b]	6	6
Reversal of BancoPosta assets, net of recoveries		5	2
Other operating losses of BancoPosta		28	21
Net provisions for risks and charges made/(released)		82	84
for disputes with third parties	[tab. B4]	35	39
for non-recurring charges incurred by BancoPosta	[tab. B4]	45	28
for other risks and charges	[tab. B4]	2	17
Losses		2	3
Other taxes and duties		61	60
Municipal property tax		27	28
Urban waste tax		22	21
Other		14	12
Net provisions for tax and social security liabilities made/(released)	[tab. B4]	(2)	(1)
Revised estimates and assessments for previous years(1)		–	20
Impairments of investments	[tab. A4.1]	77	25
Other recurring expenses		28	22
Total		**226**	**314**

(1) See note 2.2.

C9 – Finance/income costs

Finace income

TAB C9.1 – FINANCE INCOME

Item *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
Income from subsidiaries	20	25
Interest on loans	18	22
Interest on intercompany current accounts	2	3
Income from available-for-sale financial assets	10	12
Interest on fixed-income instruments	19	20
Accrued differentials on fair value hedges	(9)	(8)
Other finance income	22	31
Interest from the MEF	2	–
Finance income on discounting receivables[1]	11	20
Overdue interest	13	8
Impairment of amounts due as overdue interest	(13)	(8)
Interest on IRES refund	5	11
Adjiustment of interest on IRES refund	(1)	–
Interest income on Contingent Convertible Notes	3	–
Income from financial assets at fair value through profit or loss	1	–
Other	1	–
Foreign exchange gains[2]	6	3
Total	**58**	**71**

(1) Finance income on discounted receivables includes: €8 million in interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012 and 2013 and €3 million in interest on amounts due for the publisher tariff subsidies.

(2) For the purposes of reconciliation with the statement of cash flows, for 2015 these items total €52 million (€68 million in 2014).

Finance costs

TAB. C9.2 – FINANCE COSTS

Item (€m)	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Finance costs on financial liabilities		38	56
on bonds		27	27
on loans from Cassa Depositi e Prestiti		–	4
on financial institutions borrowings		8	13
on derivative financial instruments		1	7
on amounts payable subsidiaries		2	5
Sundry finance costs on financial assets[1]		–	75
Impairment losses on available-for-sale financial assets	[tab. A6.3]	–	75
Finance costs on provisions for employee termination benefits	[tab. B5]	27	38
Finance costs on provisions for risks	[tab. B4]	1	2
Other finance costs		4	4
Foreign exchange losses[1]		6	4
Total		**76**	**179**

(1) For the purposes of reconciliation with the statement of cash flows, for 2015 finance costs, after foreign exchange losses and sundry finance costs on available-for-sale financial assets, amount to €70 million (€100 million in 2014).

C10 – Income tax expense

TAB. C10 – INCOME TAX EXPENSE

Item (€m)	For the year ended 31 December 2015			For the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	121	27	148	93	200	293
Deferred tax income	21	(26)	(5)	(70)	(2)	(72)
Deferred tax expense	2	–	2	(5)	–	(5)
Total	**144**	**1**	**145**	**18**	**198**	**216**

Income tax of €145 million for the year reflects the effects of net non-recurring income/(expense) totalling €12 million, as described below.

The tax rate for 2015 is 24.35% and consists of:

TAB. C10.1 – RECONCILIATION BETWEEN THE THEORETICAL IRES TAX RATE AND THE EFFECTIVE IRES TAX RATE

Item *(€m)*	For the year ended 31 December 2015		For the year ended 31 December 2014	
	IRES	Tax rate	IRES	Tax rate
Profit before tax	596		273	
Theoretical tax charge	164	27.5%	75	27.5%
Effects of increases/(decreases) on theoretical tax charge				
Adjustments to investments	21	3.54%	7	2.53%
Adjustments to available-for-sale financial assets	–	–	21	7.56%
Dividends from investee companies	(87)	–14.63%	(53)	–19.26%
Non-deductible out-of-period losses	7	1.15%	7	2.47%
Non-deductible taxes	6	1.01%	6	2.27%
Net provisions for risks and charges and bad debts	10	1.72%	15	5.34%
Taxation for previous years	(3)	–0.42%	(11)	–4.12%
Deduction from IRES of IRAP on personnel expenses	(4)	–0.63%	(53)	–19.42%
Adjustments for change in IRES tax rate introduced by 2016 Stability Law	20	3.36%	–	–
Adjustment of IRES refund claimed	9	1.52%	–	–
Non-recurring income/(expenses) for deferred taxes recycled to profit or loss	7	1.11%	–	–
Other	(6)	–1.00%	4	1.59%
Effective tax charge	**144**	**24.24%**	**18**	**6.45%**

TAB. C10.2 – RECONCILIATION BETWEEN THE THEORETICAL IRAP TAX RATE AND THE EFFECTIVE IRAP TAX RATE

Item *(€m)*	For the year ended 31 December 2015		For the year ended 31 December 2014	
	IRAP	Tax rate	IRAP	Tax rate
Profit before tax	596		273	
Theoretical tax charge	27	4.57%	12	4.51%
Effect of increases/(decreases)on theoretical tax charge				
Non-deductible personnel expenses	26	4.32%	184	67.25%
Dividends from investee companies	(15)	–2.53%	(9)	–3.32%
Adjustments to available-for-sale financial assets	–	–	3	1.24%
Net provisions for risks and charges and bad debts	(14)	–2.31%	6	2.06%
Non-deductible out-of-period losses	1	0.19%	1	0.41%
Finance income and costs	(1)	–0.18%	1	0.42%
Non-deductible taxes	2	0.21%	1	0.46%
Taxation for previous years	(1)	–0.12%	(3)	–1.03%
Non-recurring income/(expenses) for deferred taxes recycled to profit or loss	(24)	–3.97%	–	–
Other	–	–0.06%	2	0.72%
Effective tax charge	**1**	**0.11%**	**198**	**72.71%**

Current tax assets and liabilities

TAB. C10.3 – MOVEMENTS IN CURRENT TAX ASSETS/(LIABILITIES)

Item	Current taxes for the year ended 31 December 2015			Current taxes for the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)		Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	**575**	**29**	**604**	**604**	**11**	**615**
Payments of	189	30	219	199	218	417
prepayments for the current year	189	30	219	199	215	414
balance payable for the previous year	–	–	–	–	3	3
Collection of IRES refund claimed	(518)	–	(518)	–	–	–
Adjustment of IRES refund claimed	(9)	–	(9)	–	–	–
Provisions to profit or loss	(112)	(27)	(139)	(93)	(200)	(293)
Provisions to equity	(22)	(4)	(26)	13	–	13
Tax consolidation	(136)	–	(136)	(153)	–	(153)
Other	5 (*)	–	5	5	–	5
Balance at 31 December	**(28)**	**28**	**–**	**575**	**29**	**604**
of which:						
Current tax assets	5	28	33	575	29	604
Current tax liabilities	(33)	–	(33)	–	–	–
of which attributable to BancoPosta RFC						
Current tax assets	–	–	–	12	6	18
Current tax liabilities	(73)	(11)	(84)	(73)	–	(73)

(*) Mainly due to credits resulting from withholdings 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/(liabilities) for the year ended 31 December 2015 primarily regard:

- €5 million in provisions for IRES and IRAP for the year after payments on account for IRES and IRAP, tax cedits from previous years and IRES withholding tax incurred;
- the remaining IRES credit of €4 million to be recovered on unreported IRAP deduction, following submission of a claim pursuant to article 6 of Law Decree 185 of 29 November 2008 and article 2 of Law Decree 201 of 6 December 2011, which provided for a partial deductibility of IRAP from IRES. In the second half of 2015, direct tax credits of €518 million (plus interest of €28 million, making a total of €546 million) were collected. In addition, adjustments to tax credits previously recognised, amounting to €9 million (included among net non-recurring expense/(income) were made, following recalculation performed after the payment received from the tax authorities. Interest accrued during the year of €4 million was recognised in “Finance income” (tab. C9.1) and “Other receivables and assets” (tab. A8).

Deferred tax assets and liabilities

The following table shows deferred tax assets and liabilities:

TAB. C10.4 – DEFERRED TAXES

Item *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Deferred tax assets	503	583
Deferred tax liabilities	(978)	(858)
Total	**(475)**	**(275)**
of which attributable to BancoPosta RFC		
Deferred tax assets	130	211
Deferred tax liabilities	(967)	(851)

The nominal tax rates are 27.5% for IRES and 3.9% 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 4.57%.

Movements in deferred tax assets and liabilities are shown below:

TAB. C10.5 – MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES

Item *(€m)*	Note	2015	2014
Balance at 1 January		**(275)**	**166**
Deferred tax income/(expense) recognised in profit or loss		6	77
Non-recurring income/(expense) recognised in profit or loss		17	–
Non-recurring income/(expense) recognised in profit or loss due to adjustment to IRES rate		(20)	–
Income/(expense) recognised in equity	[tab. C10.8]	(312)	(518)
Non-recurring income/(expense) recognised in equity due to adjustment to IRES rate	[tab. C10.8]	109	–
Balance at 31 december		**(475)**	**(275)**

The 2015 Stability Law (Law 190/2014) permitted the deduction of personnel expenses for staff employed on permanent contracts from the IRAP tax base. In addition, in Circular 22E of 9 June 2015, the tax authorities clarified that "*Provisions relating to personnel expenses included in the financial statements for periods prior to the entry into effect of this legislation, which had not been considered deductible on the basis of existing rules governing IRAP, will be considered deductible – from the tax year following that underway at 31 December 2014 – if the event in respect of which they were included in the financial statements actually occurs. In addition, as the aforementioned provisions may have been included in the calculation of IRAP deducted for income tax calculation purposes, it will be necessary to re-calculate the IRAP deducted in previous years in relation to these events*". For this reason, "**Net non-recurring income/(expense) related to deferred taxation recognised in profit or loss**" is due to deferred IRAP tax assets – in the amount of €24 million, in relation to past provisions that will be deductible in future, when they are actually utilised – and deferred IRES tax liabilities, in the amount of €7 million, due to the lower IRES rate determined in previous years, which will have to be paid when the IRAP provisions are released.

Furthermore, article 1, paragraph 61 of the 2016 Stability Law (Law 208/2015), has cut the IRES rate to 24% from 1 January 2017 for financial years starting after 31 December 2016. For this reason, the accounts for the year ended 31 December 2015 show "**Net non-recurring expense recognised in profit and loss**" of €20 million and "**Net non-recurring income**

for deferred taxation recognised in equity" of €109 million, due to the adjustment to the new IRES rate of deferred taxation that will be utilised after 31 December 2016.

The following table shows a breakdown of movements in deferred tax assets and liabilities:

TAB. C10.6 – MOVEMENTS IN DEFERRED TAX ASSETS

Item *(€m)*	**Investment property**	**Financial assets and liabilities**	**Contra asset accounts**	**Provisions for risks and charges**	**Present value of employee termination benefits**	**Other**	**Total**
Balance at 1 January 2014	**15**	**164**	**75**	**233**	**–**	**67**	**554**
Income/(Expenses) recognised in profit or loss	1	–	36	33	–	2	72
Income/(Expenses) recognised in equity	–	(52)	–	–	34	(25)	(43)
Balance at 31 December 2014	**16**	**112**	**111**	**266**	**34**	**44**	**583**
Income/(Expenses) recognised in profit or loss	1	–	(19)	16	–	3	1
Non-recurring income/(expenses) recognised in profit or loss	–	–	–	24	–	–	24
Income/(expenses) recognised in profit or loss due to adjustment to IRES rate	(2)	–	(2)	(11)	–	(5)	(20)
Income/(expenses) recognised in equity	–	(76)	–	–	–	–	(76)
Income/(expenses) recognised in equity due to adjustment to IRES rate	–	(4)	–	–	(4)	(1)	(9)
Balance at 31 December 2015	**15**	**32**	**90**	**295**	**30**	**41**	**503**

TAB. C10.7 – MOVEMENTS IN DEFERRED TAX LIABILITIES

Item *(€m)*	**Financial assets and liabilities**	**PPE**	**Deferred gains**	**Other**	**Total**
Balance at 1 January 2014	**380**	**2**	**6**	**–**	**388**
Income/(Expenses) recognised in profit or loss	1	–	(6)	–	(5)
Income/(Expenses) recognised in equity	475	–	–	–	475
Balance at 31 December 2014	**856**	**2**	**–**	**–**	**858**
Income/(Expenses) recognised in profit or loss	–	–	–	(5)	(5)
Non-recurring income/(expenses) recognised in profit or loss	–	–	–	7	7
Income/(expenses) recognised in profit or loss due to adjustment to IRES rate	–	–	–	–	–
Income/(expenses) recognised in equity	236	–	–	–	236
Income/(expenses) recognised in equity due to adjustment to IRES rate	(118)	–	–	–	(118)
Balance at 31 December 2015	**974**	**2**	**–**	**2**	**978**

The increase in deferred tax liabilities related to financial assets and liabilities (€974 million) is due mainly to movements in the fair value reserve, as described in section B3.

At 31 December 2015, deferred tax assets and liabilities recognised directly in equity are as follows:

TAB. C10.8 – DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN EQUITY

Item *(€m)*	Increases/(decreases) in equity	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Fair value reserve for available-for-sale financial assets	(217)	(496)
Cash flow hedge reserve	19	(31)
Actuarial gains /(losses) on employee termination benefits(*)	(4)	34
Retained earnings from shareholder transactions	(1)	(25)
Total	**(203)**	**(518)**

(*) The impact of the adjustment to the IRES rate on deferred tax assets recognised on accrued employee termination benefits for 2014 which, based on actuarial calculations, exceed the amount calculated in accordance with article 2120 of the Italian Civil Code.

In addition, a €26 million reduction in current tax expense, calculated on the deductible amount of unrealised actuarial losses on the employee termination benefits, has been recognised directly in equity. Therefore, during the year under review, equity declined by €229 million as a result of income tax expense.

4.4 RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and results of operations

The impact of related party transactions on the financial position and results of operations is shown below.

TAB. 4.4.1 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2015

Name (€m)	Balance at 31 December 2015								
	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	–	200	4	–	–	5	–	–	–
BancoPosta Fondi SpA SGR	–	–	12	–	–	3	2	–	–
CLP ScpA	–	–	21	–	–	5	–	101	–
Consorzio PosteMotori	–	–	9	–	–	23	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	–	–	–	–	38	–
EGI SpA	–	–	1	–	–	12	3	17	–
Mistral Air Srl	–	6	1	–	–	1	–	–	2
PatentiViaPoste ScpA	–	1	4	–	–	4	–	1	–
Poste Tributi ScpA	–	6	6	–	–	1	–	4	–
PosteTutela SpA	–	–	–	–	–	21	5	32	–
Poste Vita SpA	–	454	137	–	–	118	36	–	12
Postecom SpA	–	–	7	1	–	5	–	19	–
Postel SpA	–	44	58	–	–	3	–	17	3
PosteMobile SpA	–	–	15	1	–	16	26	3	–
PosteShop SpA	–	1	1	–	–	1	–	2	2
SDA Express Courier SpA	–	97	12	1	–	4	–	16	17
Indirect subsidiaries									
Poste Assicura SpA	–	–	5	–	–	1	–	–	–
Related parties external to the Group									
Ministry of the Economy and Finance	7,186	3	537	13	391	–	–	102	21
Cassa Depositi e Prestiti Group	1,500	–	397	–	–	–	1	11	–
Enel Group	–	–	38	–	–	–	–	12	–
Eni Group	–	–	15	–	–	–	–	11	–
Equitalia Group	–	–	55	–	–	–	–	1	8
Finmeccanica Group	–	–	–	–	–	–	–	30	–
Other related parties external to the Group	–	–	3	–	–	–	–	3	61
Provisions for doubtful debts from external related parties	–	–	(156)	(9)	–	–	–	–	–
Total	**8,686**	**812**	**1,182**	**7**	**391**	**223**	**73**	**420**	**126**

TAB. 4.4.2 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2014

Name (€m)	Balance at 31 December 2014								
	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	–	200	3	–	–	5	–	–	–
BancoPosta Fondi SpA SGR	–	–	10	–	–	14	3	–	–
CLP ScpA	–	–	14	–	–	6	–	65	–
Consorzio PosteMotori	–	–	16	–	–	20	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	–	–	–	–	47	–
EGI SpA	–	–	1	–	–	15	136	–	–
Mistral Air Srl	–	14	2	–	–	1	–	1	3
PatentiViaPoste ScpA	–	–	4	–	–	5	–	1	–
Poste Energia SpA	–	1	–	–	–	1	–	18	–
Poste Holding Participações do Brasil Ltda	–	–	–	–	–	–	–	–	1
Poste Tributi ScpA	–	4	6	–	–	2	–	3	–
PosteTutela SpA	–	–	–	–	–	7	10	41	–
Poste Vita SpA	–	544	82	–	–	64	703	–	2
Postecom SpA	–	–	9	1	–	9	15	35	–
Postel SpA	–	45	78	–	–	7	–	2	2
PosteMobile SpA	–	–	18	–	–	14	21	3	–
PosteShop SpA	–	7	1	–	–	1	–	1	–
SDA Express Courier SpA	–	101	5	–	–	4	–	2	12
Indirect subsidiaries									
Italia Logistica Srl	–	–	4	–	–	–	–	–	–
Poste Assicura SpA	–	–	7	–	–	2	–	–	–
PostelPrint SpA	–	–	–	–	–	5	–	55	1
Related parties external to the Group									
Ministry of the Economy and Finance	6,130	117	1,388	549	934	–	–	95	21
Cassa Depositi e Prestiti Group	–	–	901	–	–	409	3	8	–
Enel Group	–	–	45	–	–	–	–	8	–
Eni Group	–	–	17	–	–	–	–	12	–
Equitalia Group	–	–	51	–	–	–	–	6	–
Finmeccanica Group	–	–	–	–	–	–	–	28	–
Other related parties external to the Group	–	–	2	–	–	–	–	12	59
Provisions for doubtful debts from external related parties	–	–	(170)	(10)	–	–	–	–	–
Total	**6,130**	**1,033**	**2,494**	**540**	**934**	**591**	**891**	**443**	**101**

At 31 December 2015, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €60 million (€65 million at 31 December 2014).

TAB. 4.4.3 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE RESULTS OF OPERATIONS

Name (€m)	For the year ended 31 December 2015								
	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	2	34	2	–	–	–	–	–	–
BancoPosta Fondi SpA SGR	23	20	–	–	–	–	–	–	–
CLP ScpA	13	1	–	4	3	173	–	1	–
Consorzio PosteMotori	39	–	–	–	–	–	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	–	–	99	–	–	–
EGI SpA	–	72	–	–	–	7	–	–	–
PatentiViaPoste ScpA	–	–	–	–	–	–	–	–	–
Poste Energia SpA	24	–	–	–	–	–	–	1	–
Poste Tributi ScpA	–	–	–	–	–	101	–	–	–
PosteTutela SpA	4	–	–	–	–	–	–	4	–
Poste Vita SpA	–	1	–	–	–	96	–	–	–
Postecom SpA	419	150	16	–	–	–	–	–	2
Postel SpA	–	32	–	1	16	37	1	–	–
PosteMobile SpA	8	2	1	–	1	32	–	–	–
PosteShop SpA	15	27	–	–	–	3	1	–	–
SDA Express Courier SpA	1	–	–	–	–	–	–	–	–
SDA Express Courier SpA	3	3	1	–	–	45	1	–	–
Indirect subsidiaries									
Italia Logistica Srl	–	–	–	–	–	–	–	–	–
Poste Assicura SpA	16	–	–	–	–	–	–	–	–
Related parties external to the Group									
Ministry of the Economy and Finance	560	1	2	–	–	2	–	(64)	–
Cassa Depositi e Prestiti Group	1,612	–	–	–	2	21	–	–	–
Enel Group	97	–	–	–	–	5	–	–	–
Eni Group	29	–	–	–	–	31	–	–	–
Equitalia Group	54	–	–	–	–	4	–	3	–
Finmeccanica Group	1	1	–	–	12	32	–	–	–
Other related parties external to the Group	17	1	–	–	–	16	40	–	–
Total	**2,937**	**345**	**22**	**5**	**34**	**704**	**43**	**(55)**	**2**

TAB. 4.4.4 – IMPACT OF RELATED PARTY TRANSACTIONS ON THE RESULTS OF OPERATIONS

Name (€m)	For the year ended 31 December 2014								
	Revenue			Costs					
	Revenue from sales and services	Other operating income	Finance income	Capital expenditure: Property, plant and equipment	Capital expenditure: Intangible assets	Current expenditure: Cost of goods and services	Current expenditure: Personnel expenses	Current expenditure: Other operating costs	Current expenditure: Finance costs
Direct subsidiaries									
Banca del Mezzogiorno-MedioCredito Centrale SpA	2	–	3	–	–	–	–	–	–
BancoPosta Fondi SpA SGR	19	50	–	–	–	–	–	–	–
CLP ScpA	8	1	–	4	–	164	–	1	–
Consorzio PosteMotori	16	–	–	–	–	–	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	1	–	93	–	–	–
EGI SpA	–	42	–	–	–	7	–	1	2
PatentiViaPoste ScpA	20	–	–	–	–	–	–	1	–
Poste Energia SpA	–	–	–	–	–	105	–	–	–
Poste Tributi ScpA	5	–	–	–	–	–	–	3	–
PosteTutela SpA	–	2	–	–	–	101	–	–	–
Poste Vita SpA	359	80	18	–	–	1	–	–	3
Postecom SpA	–	3	–	1	11	66	–	–	–
Postel SpA	11	1	1	–	–	–	–	–	–
PosteMobile SpA	15	32	–	–	–	5	1	–	–
PosteShop SpA	1	–	–	–	–	–	–	–	–
SDA Express Courier SpA	2	1	2	–	–	–	2	–	–
Indirect subsidiaries									
Italia Logistica Srl	–	1	–	–	–	–	–	–	–
Poste Assicura SpA	19	–	–	–	–	–	–	–	–
PostelPrint SpA	–	–	–	–	5	116	–	–	–
Related parties external to the Group									
Ministry of the Economy and Finance	627	1	5	–	–	1	–	59	–
Cassa Depositi e Prestiti Group	1,641	–	–	–	–	23	–	–	4
Enel Group	107	–	–	–	–	1	–	–	–
Eni Group	34	1	–	–	–	30	–	(1)	–
Equitalia Group	61	–	–	–	–	4	–	–	–
Finmeccanica Group	–	–	–	–	7	34	–	–	–
Other related parties external to the Group	21	3	–	–	–	16	39	–	–
Total	**2,968**	**218**	**29**	**6**	**23**	**767**	**42**	**64**	**9**

At 31 December 2015, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to €9 million (€6 million at 31 December 2014).

The nature of the Company's principal transactions with related parties external to the Group is summarised below in order of relevance.

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as reimbursement for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, and for collection of tax returns and for collection and accounting of electronic payments.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- The costs incurred with the CDP Group refer mainly to software maintenance and electronic payment card management services performed by SIA SpA.
- 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, as well as collection and accounting for electric utility payments. 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 and collection and accounting for utility payments. 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, members of the Board of Statutory Auditors, managers at the first organisational level of the Company and Poste Italiane's manager responsible for financial reporting. The related remuneration not including that of the Board of Statutory Auditors, which are shown separately, gross of expenses and social security contributions, of such key management personnel as defined above is as follows (€000):

TAB. 4.4.5 – REMUNERATION OF KEY MANAGEMENT PERSONNEL

Item *(€000)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Remuneration paid in short/medium term	18,796	11,918
Post-employment benefits	–	147
Employment termination benefits	–	13,867
Total	**18,796**	**25,932**

TAB. 4.4.6 – REMUNERATION OF STATUTORY AUDITORS

Item *(€000)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Remuneration	134	145
Expenses	2	2
Total	**136**	**147**

No loans were granted to key management personnel during 2015; at 31 December 2015, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with staff pension funds

Poste Italiane SpA and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's By-laws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. The Fund's Board of Directors takes decisions including: the general criteria for the allocation of risk in terms of investments and investment policies; the choice of fund manager and custodian bank.

4.5 OTHER INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

Analysis of net (debt)/funds

An analysis of the Company's net (debt)/funds at 31 December 2015 is provided below, showing the portion attributable to capital outside the ring-fence and BancoPosta RFC:

TAB. 4.5.1 – NET (DEBT)/FUNDS

Balance at 31 December 2015 *(€m)*	**Capital outside ring-fence**	**BancoPosta RFC**	**Eliminations**	**Poste Italiane SpA**	***of which related party transactions***
Financial liabilities	**(2,425)**	**(53,314)**	**656**	**(55,083)**	**–**
Postal current accounts	–	(43,763)	79	(43,684)	*(215)*
Bonds	(811)	–	–	(811)	–
Borrowings from financial institutions	(912)	(4,895)	–	(5,807)	–
Loans from Cassa Depositi e Prestiti	(1)	–	–	(1)	*(1)*
Derivative financial instruments	(51)	(1,547)	–	(1,598)	–
Other financial liabilities	(73)	(3,109)	–	(3,182)	*(80)*
Intersegment financial liabilities	(577)	–	577	–	–
Financial assets	**1,530**	**55,199**	**(577)**	**56,152**	
Loans and receivables	950	8,811	–	9,761	*7,998*
Held-to-maturity financial assets	–	12,886	–	12,886	–
Available-for-sale financial assets	580	32,597	–	33,177	*1,500*
Derivative financial instruments	–	328	–	328	–
Intersegment financial assets	–	577	(577)	–	–
Net financial assets/(liabilities)	**(895)**	**1,885**	**79**	**1,069**	
Cash and deposits attributable to BancoPosta	**–**	**3,161**	**–**	**3,161**	**–**
Cash and cash equivalents	**1,198**	**401**	**(79)**	**1,520**	***391***
Net (debt)/funds	**303**	**5,447**	**–**	**5,750**	

TAB. 4.5.2 – NET (DEBT)/FUNDS

Balance at 31 December 2014 *(€m)*	**Capital outside ring-fence**	**BancoPosta RFC**	**Eliminations**	**Poste Italiane SpA**	***of which related party transactions***
Financial liabilities	**(3,569)**	**(50,653)**	**218**	**(54,004)**	
Postal current accounts	–	(40,946)	154	(40,792)	*(177)*
Bonds	(809)	–	–	(809)	–
Borrowings from financial institutions	(1,743)	(5,640)	–	(7,383)	*(409)*
Loans from Cassa Depositi e Prestiti	(3)	–	–	(3)	*(3)*
Derivative financial instruments	(58)	(1,720)	–	(1,778)	–
Other financial liabilities	(892)	(2,347)	–	(3,239)	*(892)*
Intersegment financial liabilities	(64)	–	64	–	–
Financial assets	**1,751**	**50,351**	**(64)**	**52,038**	
Loans and receivables	1,171	7,331	–	8,502	*7,163*
Held-to-maturity financial assets	–	14,100	–	14,100	–
Available-for-sale financial assets	580	28,807	–	29,387	–
Derivative financial instruments	–	49	–	49	–
Intersegment financial assets	–	64	(64)	–	–
Net financial assets/(liabilities)	**(1,818)**	**(302)**	**154**	**(1,966)**	
Cash and deposits attributable to BancoPosta	**–**	**2,873**	**–**	**2,873**	**–**
Cash and cash equivalents	**198**	**942**	**(154)**	**986**	**934**
Net (debt)/funds	**(1,620)**	**3,513**	**–**	**1,893**	

At 31 December 2015, the fair value reserves related to available-for-sale financial assets amount to €3,455 million (€2,307 million at 31 December 2014), inclusive of the relevant taxation.

ESMA net financial indebtedness

An analysis of the industrial net funds/(debt) attributable to capital outside the ring-fence at 31 December 2015, in accordance with ESMA guidelines, computed on the basis of paragraph 127 of the recommendations contained in ESMA document 319 of 2013, is provided below:

TAB. 4.5.3 – ESMA NET FINANCIAL INDEBTEDNESS FOR CAPITAL OUTSIDE RING-FENCE

(€m)	At 31 December 2015	At 31 December 2014
A. Cash	1	2
B. Other cash equivalents	1,197	196
C. Securities held for trading	–	–
D. Liquidity (A+B+C)	**1,198**	**198**
E. Current loans and receivables	**577**	**648**
F. Current bank borrowings	(510)	(1,343)
G. Current portion of non-current debt	(16)	(13)
H. Other current financial liabilities	(77)	(898)
I. Current financial debt (F+G+H)	**(603)**	**(2,254)**
J. Current net funds/(debt) (I+E+D)	**1,172**	**(1,408)**
K. Non-current bank borrowings	(400)	(400)
L. Bond issues	(797)	(796)
M. Other non-current liabilities	(48)	(55)
N. Non-current financial debt (K+L+M)	**(1,245)**	**(1,251)**
O. Industrial net funds/(debt) (ESMA guidelines) (J+N)	**(73)**	**(2,659)**
Non-current financial assets	953	1,103
Industrial net funds/(debt)	**880**	**(1,556)**
Intersegment loans and receivables	–	–
Intersegment financial liabilities	(577)	(64)
Industrial net funds/(debt) including intersegment transactions	**303**	**(1,620)**

Determination of fair value

The fair value measurement techniques used by the Company are described in note 2.5 – *Determination of fair value*. 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.

TAB. 4.5.4 – FAIR VALUE HIERARCHY

Item (€m)	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta	32,148	666	111	32,925	28,602	254	–	28,856
Available-for-sale financial assets	32,148	338	111	32,597	28,602	205	–	28,807
Fixed-income instruments	32,148	267	–	32,415	28,602	149	–	28,751
Equity instruments	–	71	111	182	–	56	–	56
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	–	–
Derivative financial instruments	–	328	–	328	–	49	–	49
Financial assets	575	–	5	580	575	–	5	580
Available-for-sale financial assets	575	–	5	580	575	–	5	580
Fixed-income instruments	569	–	–	569	569	–	–	569
Equity instruments	–	–	5	5	–	–	5	5
Other investments	6	–	–	6	6	–	–	6
Derivative financial instruments	–	–	–	–	–	–	–	–
Total financial assets at fair value	**32,723**	**666**	**116**	**33,505**	**29,177**	**254**	**5**	**29,436**
Financial liabilities attributable to BancoPosta	–	(1,547)	–	(1,547)	–	(1,720)	–	(1,720)
Derivative financial instruments	–	(1,547)	–	(1,547)	–	(1,720)	–	(1,720)
Financial liabilities	–	(51)	–	(51)	–	(58)	–	(58)
Derivative financial instruments	–	(51)	–	(51)	–	(58)	–	(58)
Total financial liabilities at fair value	**–**	**(1,598)**	**–**	**(1,598)**	**–**	**(1,778)**	**–**	**(1,778)**

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 2015.

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[93].

In particular, the disclosures in question concern the following positions at 31 December 2015:

- derivative assets and liabilities and related collateral, represented by both cash and government securities;
- repurchase and reverse repurchase agreements and related collateral, represented by both cash and government securities.

(93) 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. 4.5.5 – FINANCIAL ASSETS/LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION, OR SUBJECT TO A MASTER NETTING AGREEMENT OR SIMILAR ARRANGEMENTS

Category (€m)	Gross amount of financial assets(*) (a)	Gross amount of financial liabilities(*) (b)	Amount of financial (liabilities)/ assets that have been offset (c)	Financial assets/ (liabilities), net (d=a+b+c)	Related amounts not offset			Financial assets/ (liabilities), net (h=d+e+f+g)
					Strumenti finanziari trasferiti o concessi in garanzia (e)	Collateral		
						Financial instruments transferred or provided as collateral (f)	Securities provided/ (received) as collateral (g)	
For the year ended 31 December 2015								
Financial assets/(liabilities) attributable to BancoPosta								
Derivatives	328	(1,547)	–	(1,219)	–	349	850	(20)
Repurchase agreements	417	(4,895)	–	(4,478)	4,477	–	–	(1)
Other	–	–	–	–	–	–	–	–
Financial assets/(liabilities)								
Derivatives	–	(51)	–	(51)	–	–	51	–
Repurchase agreements	–	(510)	–	(510)	510	–	(1)	(1)
Other	–	–	–	–	–	–	–	–
Total at 31 December 2015	**745**	**(7,003)**	**–**	**(6,258)**	**4,987**	**349**	**900**	**(22)**
For the year ended 31 December 2014								
Financial assets/(liabilities) attributable to BancoPosta								
Derivatives	49	(1,720)	–	(1,671)	–	742	885	(44)
Repurchase agreements	–	(5,639)	–	(5,639)	5,639	–	–	–
Other	–	–	–	–	–	–	–	–
Financial assets/(liabilities)								
Derivatives	–	(58)	–	(58)	–	–	54	(4)
Repurchase agreements	–	(564)	–	(564)	564	–	–	–
Other	–	–	–	–	–	–	–	–
Total at 31 December 2014	**49**	**(7,981)**	**–**	**(7,932)**	**6,203**	**742**	**939**	**(48)**

(*) 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 2015, these assets concern the repurchase agreements entered into with primary financial intermediaries.

TAB 4.5.6 – TRANSFER OF FINANCIAL ASSETS THAT ARE NOT DERECOGNISED

Item *(€m)*	Note	At 31 December 2015			At 31 December 2014		
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta	[A5]						
Held-to-maturity financial assets		4,072	4,101	4,621	5,374	5,415	6,089
Available-for-sale financial assets		497	544	544	–	–	–
Financial liabilities attributable to BancoPosta	[B6]						
Financial liabilities arising from repos		(4,885)	(4,895)	(4,949)	(5,613)	(5,639)	(5,663)
Financial assets	[A6]						
Available-for-sale financial assets		450	510	510	500	569	569
Financial liabilities	[B7]						
Financial liabilities arising from repos		(510)	(510)	(510)	(564)	(564)	(564)
Total		**(376)**	**(250)**	**216**	**(303)**	**(219)**	**431**

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 *(€m)*	At 31 December 2015	At 31 December 2014
Post office savings books	118,721	114,359
Interest-bearing Postal Certificates	206,114	211,333
Cassa Depositi e Prestiti	135,497	139,815
MEF	70,617	71,518
Total	**324,835**	**325,692**

Commitments

TAB. 4.6.2 – PURCHASE COMMITMENTS

Item *(€m)*	At 31 December 2015	At 31 December 2014
Property leases	539	585
Property, plant and equipment	54	65
Intangible assets	32	36
Vehicle leases	61	48
Other contracts	26	45
Total	**712**	**779**

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 *(€m)*	At 31 December 2015	At 31 December 2014
Lease rentals due:		
within 1 year of the reporting date	150	154
between 2 and 5 years after the reporting date	338	372
more than 5 years after the reporting date	51	59
Total	**539**	**585**

Guarantees

Unsecured guarantees issued by Poste Italiane SpA are as follows:

TAB 4.6.3 – GUARANTEES

Item *(€m)*	At 31 December 2015	At 31 December 2014
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	162	137
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	54	69
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	1	4
Total	**217**	**210**

Third-party assets

TAB. 4.6.4 – THIRD-PARTY ASSETS

Item *(€m)*	At 31 December 2015	At 31 December 2014
Securities subscribed by customers held at third-party banks	5,992	7,747
Other assets	6	23
Total	**5,998**	**7,770**

Assets in the process of allocation

At 31 December 2015, the Company had paid a total of €119 million 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 accordance with art. 149 duodecies of the "CONSOB Regulations for Issuers"

The following table shows fees, classified in accordance with art. 149 *duodecies* of the "CONSOB Regulations for Issuers", payable to PricewaterhouseCoopers SpA and companies within its network for 2015 (€000):

TAB. 4.6.5 – DISCLOSURE OF FEES PAID TO INDEPENDENT AUDITORS

Type of service *(€000)*	Supplier of service	Fees(*)
Poste Italiane SpA		
Audit	PricewaterhouseCoopers SpA	1,255
	PricewaterhouseCoopers network	–
Attestation services	PricewaterhouseCoopers SpA	1,493
	PricewaterhouseCoopers network	–
Other services	PricewaterhouseCoopers SpA	55
	PricewaterhouseCoopers network	–
Subsidiaries of Poste Italiane SpA		
Audit(**)	PricewaterhouseCoopers SpA	1,133
	PricewaterhouseCoopers network	–
Attestation services	PricewaterhouseCoopers SpA	334
	PricewaterhouseCoopers network	–
Other services	PricewaterhouseCoopers SpA	–
	PricewaterhouseCoopers network	–
Total		**4,270**

(*) The above amounts do not include incidental expenses and charges.

(**) The amounts shown do not include fees for auditing services performed in respect of funds managed by BancoPostaFondi SGR SpA and payable by investors, amounting to €85 thousand.

Auditing services are expensed as incurred and reported in the audited financial statements. This item reflects, for 2015, additional services for €100 thousand, as approved by the Company's shareholders at the Annual General Meeting held on 24 May 2016.

The attestation services rendered by PricewaterhouseCoopers SpA regarded mainly the engagement performed in connection with the IPO.

4.7 EVENTS AFTER THE END OF THE REPORTING PERIOD

Other events after the end of the reporting period are described in the above notes.

5 Risk management

5.1 FINANCIAL RISKS

INTRODUCTION

Responsibility for coordinating and managing the investment strategy and the hedging of capital market risks has been assigned to the Parent Company's Coordination of Investment Management function, which aims to ensure a uniform approach across the Group's various financial entities. Treasury management for the Company and on a centralised basis, definition of the capital structure for Poste Italiane SpA and the Group, and the assessment of funding transactions and extraordinary and subsidised transactions is, on the other hand, the responsibility of Administration, Finance and Control.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- Poste Italiane SpA's financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

  BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds deposited by private account holders in postal current accounts are invested in euro zone government securities(94), whilst deposits by Public Administration entities are deposited with the MEF. The investment profile is based on the constant monitoring of habits of current account holders and a use of a leading market operator's statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. The company has also an asset-liability model in place to match the maturities of deposits and loans. The above mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank of Italy Circular 285/2013 require BancoPosta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular 285(95), which, among other things, requires definition of a Risk Appetite Framework (RAF(96)), the containment of risks within the limits set by the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

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

(94) Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government. As of 1 April 2015 the match between customers' deposits and related investments, which is verified on a quarterly basis, relates to the amortised cost calculated on the ex coupon value of the financial instruments held in portfolio. Before, the equivalence was measured based on the nominal value of the instruments.

(95) See in particular the provisions laid down in Part I – Section IV – Chapter 3.

(96) The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.

- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

  Traditional life policies, classified under Class I and V, primarily include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called separately managed accounts). Typically, the Company guarantees a minimum return payable at maturity on such products (31 December 2015, this return ranged between 0% and 1.5%). Gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the portfolio (see note 2.3 in relation to "Insurance contracts").

  The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

  Certain Class I and V products entail guaranteed revaluations linked to a specific asset (so-called capitalisation contracts), where returns are indexed to separately managed accounts only after the second or third year. Based on the procedure described above, all these products were linked to separately managed accounts, taking on the risk characteristics typical of Class I products.

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

  Poste Assicura SpA's investment policies are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors on 18 June 2015. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the non-life business, such analyses do not consider guaranteed minimum returns but, rather, focus on the management of liquidity in order to meet claims.

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

Against this backdrop, Poste Italiane SpA's Board of Directors has adopted regulations containing integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System (Guidelines for Internal Control and Risk Management System or "SCIGR").

From an organisational viewpoint, the model consists of:

- the **Risk and Control Committee**, established in 2015, whose role, based on adequate research activity, is to act in an advisory capacity and make recommendations to support the Board of Directors in assessing and making decisions regarding Poste Italiane SpA's internal control and risk management system.
- the **Finance, Savings and Investment Committee,** which is responsible for establishing policies governing management of the savings of retail customers, as well as strategies to be applied in managing the Group's financial assets. In view of the matters dealt with, the Committee is divided into three sections:
  - **Finance**, with the role of defining and overseeing the financial strategy;
  - **Savings**, with responsibility for establishing guidelines to be applied in the development of savings products;
  - **Financial investment strategies,** with the role of ensuring effective governance and the greatest possible alignment with strategic decisions regarding the allocation and management of financial assets;
- an **Investment Committee established at the Group's insurance company, Poste Vita SpA**, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA, BdM-MCC SpA and Poste Vita SpA) that perform **Risk Measurement and Control** activities, ensuring the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles;
- **BancoPosta RFC's Cross-functional Committee**, set up under the BancoPosta RFC Regulation, which provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions. The Committee is chaired by the Parent Company's CEO. Other permanent members are the Head of BancoPosta and the heads of the functions within Poste Italiane SpA primarily involved with BancoPosta.

The risk environment is defined on the basis of the framework established by IFRS 7 – "*Financial Instruments: Disclosures*", which distinguishes between four main types of risk (a non-exhaustive classification):

- market risk;
- credit risk;
- liquidity risk;
- cash flow interest rate risk.

Market risk relates to:

- **price risk**: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- **foreign exchange risk**: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- **fair value interest rate risk**: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

Spread risk became a major component of market risk in 2011-2012. Spread risk is the risk of a potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro zone government securities, reflecting the market's perception of the credit rating of sovereign issuers.

Credit risk is the risk of default of one of the counterparties to which there is an exposure.

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may, for example, derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds on excessively onerous terms or, in extreme cases, the inability to borrow on the market.

Cash flow interest rate risk refers to the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. Such risk may arise from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results.

Cash flow inflation risk reflects the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

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. Financial statement balances at 31 December 2015 have been subjected, where applicable to a stress test, based on actual volatility during the year, considered to be representative of potential market movements.
The principal financial assets subject to price risk and the results of the analysis carried out as at 31 December 2015 for the Poste Italiane Group are shown in the following table.

POSTE ITALIANE GROUP – PRICE RISK

Item *(€m)*	Position	Change in value		Effect on liability towards policyholders		Pre-tax profit		Equity reserves before taxation	
		+ Vol	– Vol	+ Vol	– Vol	+ Vol	– Vol	+ Vol	– Vol
2015 effects									
Financial assets									
Available-for-sale financial assets	1,427	162	(162)	146	(146)	–	–	16	(16)
Equity instruments	190	17	(17)	2	(2)	–	–	15	(15)
Other investments	1,237	145	(145)	144	(144)	–	–	1	(1)
Financial assets at FV through profit or loss	10,004	436	(436)	436	(436)	–	–	–	–
Structured bonds	777	36	(36)	36	(36)	–	–	–	–
Other investments	9,227	400	(400)	400	(400)	–	–	–	–
Derivative financial instruments	245	58	(58)	58	(58)	–	–	–	–
Fair value through profit or loss	245	58	(58)	58	(58)	–	–	–	–
Fair value through profit or loss (liabilities)	–	–	–	–	–	–	–	–	–
Variability at 31 December 2015	**11,676**	**657**	**(657)**	**641**	**(641)**	**–**	**–**	**16**	**(16)**
2014 effects									
Financial assets									
Available-for-sale financial assets	1,184	69	(69)	54	(54)	–	–	15	(15)
Equity instruments	64	16	(16)	2	(2)	–	–	14	(14)
Other investments	1,120	53	(53)	52	(52)	–	–	1	(1)
Financial assets at FV through profit or loss	4,234	66	(66)	66	(66)	–	–	–	–
Structured bonds	1,816	53	(53)	53	(53)	–	–	–	–
Other investments	2,418	13	(13)	13	(13)	–	–	–	–
Derivative financial instruments	208	11	(11)	11	(11)	–	–	–	–
Fair value through profit or loss	208	11	(11)	11	(11)	–	–	–	–
Fair value through profit or loss (liabilities)	–	–	–	–	–	–	–	–	–
Variability at 31 December 2014	**5,626**	**146**	**(146)**	**131**	**(131)**	**–**	**–**	**15**	**(15)**

Available-for-sale financial assets mainly refer to the Parent Company's investments in equity instruments and Poste Vita SpA's position in other investments, represented by equity mutual investment funds.

At 31 December 2015, equity instruments include:

- Shares held by BancoPosta RFC, totalling €71 million. These are mainly Class B Mastercard Incorporated shares which, for the purposes of the sensitivity analysis, are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE;
- Shares held by Poste Vita SpA in the Class I separately managed portfolios, totalling €8 million.

The above analysis did not include the fair value, in the amount of €111 million, of the investment in Visa Europe Ltd., described in note A5.2 for which, at the reporting date, where was no historical data or other evidence of market fluctuations to be utilised in a stress test.

Other investments include:

- Units of mutual investment funds, amounting to €1,231 million, held by Poste Vita SpA, to meet its obligations to policyholders under the separately managed portfolios;
- Units of mutual investment funds held by the Parent Company outside the ring-fence, amounting to €6 million.

In relation to **financial assets recognised at fair value through profit or loss**, price risk concerns investments held by Poste Vita SpA, totalling €10,004 million, of which €1,395 million used to cover Class III policies, €8,606 million used to cover Class I policies and €3 million in mutual fund units held in the Company's free capital.

Lastly, in relation to **derivative financial instruments,** the price risk relates to warrants held by Poste Vita SpA to cover the benefits associated with the Class III policies.

FOREIGN EXCHANGE RISK

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position considered to be material. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

At 31 December 2015, 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

Item *(m)*	Position in USD	Position in Euro	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ Vol 260dd	– Vol 260dd	+ Vol 260dd	– Vol 260dd	+ Vol 260dd	– Vol 260dd
2015 effects								
Financial assets								
Available-for-sale financial assets	77	71	9	(9)	–	–	9	(9)
Equity instruments	77	71	9	(9)	–	–	9	(9)
Variability at 31 December 2015	**77**	**71**	**9**	**(9)**	**–**	**–**	**9**	**(9)**
2014 effects								
Financial assets								
Available-for-sale financial assets	68	56	4	(4)	–	–	4	(4)
Equity instruments	68	56	4	(4)	–	–	4	(4)
Variability at 31 December 2014	**68**	**56**	**4**	**(4)**	**–**	**–**	**4**	**(4)**

The risk in question concerns the dollar-denominated shares.

POSTE ITALIANE GROUP – FOREIGN EXCHANGE RISK/SDR

Item (m)	Position in SDR	Position in Euro	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ Vol 260dd	– Vol 260dd	+ Vol 260dd	– Vol 260dd	+ Vol 260dd	– Vol 260dd
2015 effects								
Current assets in SDRs	75	95	5	(5)	5	(5)	–	–
Current liabilites in SDRs	(72)	(92)	(5)	5	(5)	5	–	–
Variability at 31 December 2015	**3**	**3**	**–**	**–**	**–**	**–**	**–**	**–**
2014 effects								
Current assets in SDRs	61	73	2	(2)	2	(2)	–	–
Current liabilites in SDRs	(66)	(78)	(2)	2	(2)	2	–	–
Variability at 31 December 2014	**(5)**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) and used worldwide to settle debits and credits among postal operators.

FAIR VALUE INTEREST RATE RISK

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of change in interest rates on the spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument’s duration.

In line with previous years, the following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The measures of sensitivity shown in the following analysis provide a reference point which is useful in assessing potential changes in fair value in the event of greater movements in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2015 for the Poste Italiane Group's positions.

POSTE ITALIANE GROUP – FAIR VALUE INTEREST RISK

Item (€m)	Position		Change in value		Effect on liability towards policyholders		Pre-tax profit		Equity reserves before taxation	
	Nominal	Fair value	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps
2015 effects										
Financial assets										
Available-for-sale financial assets	101,896	116,437	(6,272)	4,044	(4,822)	3,460	–	–	(1,450)	584
Fixed-income instruments	101,892	116,052	(6,264)	4,036	(4,814)	3,452	–	–	(1,450)	584
Other investments	4	385	(8)	8	(8)	8	–	–	–	–
Financial assets at FV through profit or loss	8,042	8,128	(249)	100	(249)	100	–	–	–	–
Fixed-income instruments	7,542	7,559	(233)	86	(233)	86	–	–	–	–
Structured bonds	500	569	(16)	14	(16)	14	–	–	–	–
Financial liabilities						–				
Derivative financial instruments	(50)	(5)	3	(4)	–	–	–	–	3	(4)
Fair value though profit or loss	–	–	–	–	–	–	–	–	–	–
Cash flow hedges	(50)	(5)	3	(4)	–	–	–	–	3	(4)
Variability at 31 December 2015	**109,888**	**124,560**	**(6,518)**	**4,140**	**(5,071)**	**3,560**	**–**	**–**	**(1,447)**	**580**
2014 effects										
Financial assets										
Available-for-sale financial assets	93,811	105,957	(5,596)	4,778	(4,446)	4,446	–	–	(1,150)	332
Fixed-income instruments	93,807	105,579	(5,590)	4,772	(4,440)	4,440	–	–	(1,150)	332
Other investments	4	378	(6)	6	(6)	6	–	–	–	–
Financial assets at FV through profit or loss	7,904	7,920	(267)	267	(265)	265	–	–	(2)	2
Fixed-income instruments	7,404	7,369	(247)	247	(245)	245	–	–	(2)	2
Structured bonds	500	551	(20)	20	(20)	20	–	–	–	–
Financial liabilities						–				
Derivative financial instruments	(50)	(7)	4	(5)	–	–	4	(5)	–	–
Fair value though profit or loss	(50)	(7)	4	(5)	–	–	4	(5)	–	–
Cash flow hedges	–	–	–	–	–	–	–	–	–	–
Variability at 31 December 2014	**101,665**	**113,870**	**(5,859)**	**5,040**	**(4,711)**	**4,711**	**4**	**(5)**	**(1,152)**	**334**

Available-for-sale financial assets exposed to the risk in question regard primarily fixed rate instruments held almost exclusively by the Parent Company, by Poste Vita SpA and by BdM-MCC SpA.

They include:

- fixed-rate government bonds (inclusive of the CDP bonds) held by Poste Vita SpA, totalling €70,522 million (of which €6,918 million in inflation-indexed bonds); of this amount, €67,199 million is used to cover Class I and V policies linked to separately managed funds, €3,323 million relates to the Company's capital;
- €30,915 million in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €11,131 million; variable rate bonds converted into fixed rate bonds via cash flow swaps amounting to €2,177 million; variable rate bonds amounting to €2,681 million and fixed or variable rate bonds converted to variable-rate positions via fair value hedges amounting to €14,926 million;
- €11,585 million in other, non-government bonds held by Poste Vita SpA, used mainly to meet obligations towards policyholders in relation to separately managed Class I and V policies;
- €1,500 million in fixed-rate bonds issued by CDP, and guaranteed by the Italian government, held by BancoPosta RFC;
- €820 million 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 €7,559 million. These consist of investments with a fair value of €5,665 million, relating to coupon stripped(97) BTPs covering obligations associated with Class III insurance products, investments with a fair value of €1,894 million, relating to corporate bonds covering Class I and V contractual obligations, and investments with a fair value of €569 million, relating to bonds issued by CDP SpA to cover Class I policies.

Within the context of **financial derivatives**, the risk in question concerns the decrease in fair value, in the amount of €5 million, of a derivative contract entered into by the Parent Company in 2013 to hedge the cash flows of the bond with a nominal value of €50 million issued on 25 October 2013 (note 3.3, tab. A5.10). The cash flow hedge of the derivative in question kicked in on 25 October 2015, when the bond began paying variable interest rates. Before this date, the derivative was recognised at fair value through profit or loss.

At 31 December 2015, with reference to the interest rate risk exposure determined by the average duration(98) of the portfolios, the duration of BancoPosta's overall investments went from 5.2 to 5.58. On the other hand, with respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the matching assets went from 5.43 at 31 December 2014 to 6.19 at 31 December 2015 while the duration of the liabilities went from 5.43 to 7.05. The financial instruments intended to cover the technical provisions for Class III have maturities that match those of the liabilities.

SPREAD RISK

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads, compared to changes in risk-free rates, also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, which is hedged by the Parent Company, no hedging policy is in place to protect against credit risk. Therefore, if interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.
In 2015, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 97 bps at 31 December 2015 (from 138 bps at 31 December 2014). The progressive improvement in the market's perception of Italy's credit rating in 2015 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified by the Group as available-for-sale (AFS), with some gains realised.
The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.
In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita group monitor spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VaR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

(97) 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.

(98) Duration is the indicator used to estimate the percentage change in price of in response to a shift in market returns (i.e. + 100 bps).

The table below shows the results of the analysis of sensitivity of the most significant positions in the portfolios of both the Parent Company and the Poste Vita group to sovereign risk at 31 December 2015.

POSTE ITALIANE SPA – EFFECT OF CREDIT SPREAD ON FAIR VALUE

Item (€m)	Position		Change in value		Pre-tax profit		Equity reserves before taxation	
	Nominal	Fair value	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps
2015 effects								
Financial assets								
Available-for-sale financial assets	26,928	32,985	(3,058)	3,439	–	–	(3,058)	3,439
Fixed-income instruments	26,928	32,985	(3,058)	3,439	–	–	(3,058)	3,439
Variability at 31 December 2015	**26,928**	**32,985**	**(3,058)**	**3,439**	**–**	**–**	**(3,058)**	**3,439**
2014 effects								
Financial assets								
Available-for-sale financial assets	24,441	29,320	(2,148)	2,411	–	–	(2,148)	2,411
Fixed-income instruments	24,441	29,320	(2,148)	2,411	–	–	(2,148)	2,411
Variability at 31 December 2014	**24,441**	**29,320**	**(2,148)**	**2,411**	**–**	**–**	**(2,148)**	**2,411**

POSTE VITA GROUP – EFFECT OF CREDIT SPREAD ON FAIR VALUE

Item (€m)	Position		Change in value		Effect on liability towards policyholders		Pre-tax profit		Equity reserves before taxation	
	Notional	Fair Value	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps
2015 effects										
Financial assets										
Available-for-sale financial assets	74,176	82,632	(5,630)	5,630	(5,440)	5,440	–	–	(190)	190
Fixed-income instruments	74,172	82,247	(5,622)	5,622	(5,432)	5,432	–	–	(190)	190
Other investments	4	385	(8)	8	(8)	8	–	–	–	–
Financial assets at FV through profit or loss	8,042	8,128	(298)	298	(298)	298	–	–	–	–
Fixed-income instruments	7,542	7,559	(252)	252	(252)	252	–	–	–	–
Structured bonds	500	569	(46)	46	(46)	46	–	–	–	–
Variability at 31 December 2015	**82,218**	**90,760**	**(5,928)**	**5,928**	**(5,738)**	**5,738**	**–**	**–**	**(190)**	**190**
2014 effects										
Financial assets										
Available-for-sale financial assets	68,689	75,890	(4,989)	4,989	(4,846)	4,846	–	–	(143)	143
Fixed-income instruments	68,685	75,512	(4,982)	4,982	(4,839)	4,839	–	–	(143)	143
Other investments	4	378	(7)	7	(7)	7	–	–	–	–
Financial assets at FV through profit or loss	7,904	7,920	(302)	302	(300)	300	(2)	2	–	–
Fixed-income instruments	7,404	7,369	(253)	253	(251)	251	(2)	2	–	–
Structured bonds	500	551	(49)	49	(49)	49	–	–	–	–
Variability at 31 December 2014	**76,593**	**83,810**	**(5,291)**	**5,291**	**(5,146)**	**5,146**	**(2)**	**2**	**(143)**	**143**

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 2015.

POSTE ITALIANE SPA – VAR ANALYSIS

Item (€m)	Position		*Spread VaR*
	Nominal	Fair value	
2015 effects			
Financial assets			
Available-for-sale financial assets	26,928	32,985	262
Fixed-income instruments	26,928	32,985	262
Variability at 31 December 2015	**26,928**	**32,985**	**262**
2014 effects			
Financial assets			
Available-for-sale financial assets	24,441	29,320	240
Fixed-income instruments	24,441	29,320	240
Variability at 31 December 2014	**24,441**	**29,320**	**240**

POSTE VITA GROUP – VAR ANALYSIS

Item (€m)	Position		*Spread VaR*
	Nominal	Fair value	
2015 effects			
Financial assets			
Available-for-sale financial assets	74,176	82,632	425
Fixed-income instruments	74,172	82,247	425
Other investments	4	385	–
Financial assets at FV through profit or loss	8,042	8,128	15
Fixed-income instruments	7,542	7,559	18
Structured bonds	500	569	3
Variability at 31 December 2015	**82,218**	**90,760**	**437**
2014 effects			
Financial assets			
Available-for-sale financial assets	68,689	75,890	353
Fixed-income instruments	68,685	75,512	357
Other investments	4	378	31
Financial assets at FV through profit or loss	7,904	7,920	13
Fixed-income instruments	7,404	7,369	10
Structured bonds	500	551	4
Variability at 31 December 2014	**76,593**	**83,810**	**366**

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 2015, the ratings revised by the main agencies did not result in changes in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was A3 at 31 December 2015, unchanged from 31 December 2014.

Poste Italiane Group's **financial assets** exposed to credit risk at 31 December 2015 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

Description *(€m)*	**Balance at 31 December 2015**				**Balance at 31 December 2014**			
	from Aaa to Aa3	**from A1 to Baa3**	**from Ba1 a Not rated**	**Total**	**from Aaa to Aa3**	**from A1 to Baa3**	**from Ba1 a Not rated**	**Total**
Financial assets								
Loans and receivables	96	8,173	2,239	10,508	113	7,105	1,679	8,897
Loans	–	229	1,755	1,984	–	64	1,298	1,362
Receivables	96	7,944	484	8,524	113	7,041	381	7,535
Held-to-maturity financial assets	–	12,886	–	12,886	–	14,100	–	14,100
Fixed-income instruments	–	12,886	–	12,886	–	14,100	–	14,100
Available-for-sale financial assets	2,579	112,999	474	116,052	1,978	103,199	402	105,579
Fixed-income instruments	2,579	112,999	474	116,052	1,978	103,199	402	105,579
Financial assets at FV through profit or loss	190	8,639	76	8,905	117	9,075	545	9,737
Fixed-income instruments	190	7,293	76	7,559	117	7,177	75	7,369
Structured bonds	–	1,346	–	1,346	–	1,898	470	2,368
Derivative financial instruments	23	624	48	695	4	386	–	390
Cash flow hedges	2	45	–	47	4	45	–	49
Fair value hedges	21	334	48	403	–	133	–	133
Fair value through profit or loss	–	245	–	245	–	208	–	208
Balance at 31 December	**2,888**	**143,321**	**2,837**	**149,046**	**2,212**	**133,865**	**2,626**	**138,703**

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 collateralised by deposits or the physical delivery of financial instruments (in accordance with Credit Support Annexes). Exposure is quantified and monitored using the "market value" method provided for by Regulation (EU) 575/2013 (Basel 3).

Poste Italiane Group's **trade receivables** exposed to credit risk at 31 December 2015 are shown in the table below.

POSTE ITALIANE GROUP – CREDIT RISK ON TRADE RECEIVABLES

Description (€m)	At 31 December 2015		At 31 December 2014	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Trade receivables				
Due from customers	2,022	(419)	2,610	(309)
Cassa Depositi e Prestiti	397	–	901	–
Ministries and public entities	529	(112)	617	(103)
Foreign correspondents	232	–	189	–
Private customers	864	(307)	903	(206)
Due from MEF	322	(147)	1,149	(166)
Due from subsidiaries, associates and joint ventures	2	–	2	–
Prepayments	–	–	–	–
Total at 31 December	**2,346**		**3,761**	
of which past due	***569***		***632***	

In relation to “Revenue and receivables due from the state”, the nature of the Group’s customers, the structure of revenue and the method of collection limit the risk of default on trade receivables. However, as explained in note 2.4, certain of the Parent Company’s activities envisage only partial reimbursement by the government of the cost incurred by the Company and amounts due to Poste Italiane are not always included in the state budget. Such activities are typically regulated by statute and specific agreements or contracts which involve particularly complex renewal processes (e.g. the universal postal service and discounted tariffs for election campaigns),
All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

The Company’s **Other receivables and assets** exposed to the risk in question at 31 December 2015 are shown in the table below.

POSTE ITALIANE GROUP – CREDIT RISK ON OTHER RECEIVABLES AND ASSETS

Description (€m)	At 31 December 2015		At 31 December 2014	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Other receivables and assets				
Due from tax authorities – tax withholdings	2,667	–	2,352	–
Receivables due from staff under fixed-term contract settlements	232	(7)	253	(6)
Technical provisions for claims attributable to reinsurers	58	–	54	–
Accrued income and prepaid expenses from trading transactions	16	–	17	–
Tax assets	6	–	13	–
Other receivables	232	(52)	246	(51)
Amount due under 2015 Stability Law implementing EU Court sentence	–	–	535	–
Interest accrued on IRES refund	47	–	70	–
Total at 31 December	**3,258**		**3,540**	
of which past due	***46***		***48***	

Lastly, with regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, Poste Italiane SpA’s exposure to sovereign debt[99] at 31 December 2015 is shown in the table below, which provides details of the nominal value, carrying amount and fair value of each type of portfolio.

(99) “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 (€m)	At 31 December 2015			At 31 December 2014		
	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Italy	**104,304**	**117,688**	**119,859**	**101,142**	**111,812**	**113,975**
Held-to-maturity financial assets	12,612	12,886	15,057	13,808	14,100	16,263
Available-for-sale financial assets	86,014	99,137	99,137	81,164	91,679	91,679
Financial assets at FV through profit or loss	5,678	5,665	5,665	6,170	6,033	6,033
Austria	**10**	**11**	**11**	**–**	**1**	**1**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	10	11	11	–	1	1
Financial assets at FV through profit or loss	–	–	–	–	–	–
Belgium	**95**	**93**	**93**	**143**	**146**	**146**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	95	93	93	143	146	146
Financial assets at FV through profit or loss	–	–	–	–	–	–
Finland	**–**	**–**	**–**	**10**	**10**	**10**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	–	–	–	10	10	10
Financial assets at FV through profit or loss	–	–	–	–	–	–
France	**208**	**217**	**217**	**268**	**284**	**284**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	208	217	217	268	284	284
Financial assets at FV through profit or loss	–	–	–	–	–	–
Germany	**25**	**32**	**32**	**23**	**32**	**32**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	25	32	32	23	32	32
Financial assets at FV through profit or loss	–	–	–	–	–	–
Ireland	**355**	**365**	**365**	**–**	**–**	**–**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	355	365	365	–	–	–
Financial assets at FV through profit or loss	–	–	–	–	–	–
Netherlands	**10**	**10**	**10**	**–**	**–**	**–**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	10	10	10	–	–	–
Financial assets at FV through profit or loss	–	–	–	–	–	–
Portugal	**28**	**29**	**29**	**–**	**–**	**–**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	28	29	29	–	–	–
Financial assets at FV through profit or loss	–	–	–	–	–	–
Spain	**1,359**	**1,487**	**1,487**	**606**	**697**	**697**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	1,359	1,487	1,487	606	697	697
Financial assets at FV through profit or loss	–	–	–	–	–	–
Slovenia	**40**	**43**	**43**	**10**	**10**	**10**
Held-to-maturity financial assets	–	–	–	–	–	–
Available-for-sale financial assets	40	43	43	10	10	10
Financial assets at FV through profit or loss	–	–	–	–	–	–
Total	**106,435**	**119,974**	**122,145**	**102,202**	**112,992**	**115,155**

LIQUIDITY RISK

In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, Poste Italiane Group applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amounts and the number of banks;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

The following tables compare the Group's liabilities and assets at 31 December 2015, in terms of liquidity risk.

POSTE ITALIANE GROUP – LIQUIDITY RISK – LIABILITIES

Description (€m)	At 31 December 2015				At 31 December 2014			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Flows from Poste Vita group's policies	9,728	40,039	69,376	119,143	8,071	37,630	58,869	104,570
Financial liabilities	23,703	13,911	18,681	56,295	25,996	11,384	16,966	54,346
Poste current accounts	17,698	8,098	17,840	43,636	17,015	7,508	16,653	41,176
Borrowings	3,606	5,399	312	9,317	6,485	3,876	313	10,674
Other financial liabilities	2,399	414	529	3,342	2,496	–	–	2,496
Trade payables	1,453	–	–	1,453	1,422	–	–	1,422
Other liabilities	2,038	899	35	2,972	1,896	733	39	2,668
Balance at 31 December	**36,922**	**54,849**	**88,092**	**179,863**	**37,385**	**49,747**	**75,874**	**163,006**

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 2015. The liabilities of Poste Vita SpA and Poste Assicura SpA are reflected in "Flows from the Poste Vita group's policies".

POSTE ITALIANE GROUP – LIQUIDITY RISK – ASSETS

Description (€m)	At 31 December 2015				At 31 December 2014			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	19,622	55,472	113,273	188,367	20,254	55,714	89,586	165,554
Loans	697	790	785	2,272	224	738	688	1,650
Receivables								
Deposits with the MEF	5,899	–	–	5,899	5,541	–	–	5,541
Other financial receivables	2,594	–	188	2,782	2,033	1	142	2,176
Investment in securities	10,432	54,682	112,300	177,414	12,456	54,975	88,756	156,187
Trade receivables	2,584	51	3	2,638	3,701	62	–	3,763
Other receivables and assets	905	2,315	81	3,301	1,534	1,958	98	3,590
Cash and deposits attributable to BancoPosta	3,161	–	–	3,161	2,873	–	–	2,873
Cash and cash equivalents	3,142	–	–	3,142	1,704	–	–	1,704
Balance at 31 December	**29,414**	**57,838**	**113,357**	**200,609**	**30,066**	**57,734**	**89,684**	**177,484**

Assets, broken down by maturity, are shown above at nominal value and increased, where applicable, by interest receivable. The item "Investments in securities" includes financial instruments held by BancoPosta RFC and the Group's insurance policies. In particular, fixed rate instruments are shown on the basis of expected cash flows, which consist of principal and interest paid at the various payment dates.

The key point of note is the liquidity risk associated with the investment of customers' current account balances and with the Class I and V policies issued by Poste Vita SpA.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for retail and business customers, ten years for balances held with PostePay and five years for Public Administration customers.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

Additional information on liquidity risk

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

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve (+/- 100 bps).

Sensitivity to cash flow interest rate risk at 31 December 2015 on the Group's positions is shown in the table below.

POSTE ITALIANE GROUP – CASH FLOW INTEREST RATE RISK

Item (€m)	Position	Change in value		Effect on liability towards policyholders		Pre-tax profit	
	Nominal	+100 bps	–100 bps	+100 bps	–100 bps	+100 bps	–100 bps
2015 effects							
Financial assets							
Loans	1,310	13	–	–	–	13	–
Receivables							
Deposits with the MEF	5,855	59	(43)	–	–	59	(43)
Other financial receivables	916	9	(1)	–	–	9	(1)
Available-for-sale financial assets							
Fixed-income instruments	11,561	116	(101)	90	(90)	26	(11)
Financial assets at FV through profit or loss							
Fixed-income instruments	619	6	(6)	6	(6)	–	–
Structured bonds	500	5	(5)	5	(5)	–	–
Cash and deposits attributable to BancoPosta							
Bank deposits	218	1	–	–	–	1	–
Cash and cash equivalent							
Bank deposits	1,720	17	(17)	4	(4)	13	(13)
Deposits with the MEF	391	4	(1)	–	–	4	(1)
Financial liabilities							
Borrowings							
Bonds	(357)	(4)	–	–	–	(4)	–
Borrowings from financial institutions	(1,204)	(12)	–	–	–	(12)	–
Other financial liabilities	(293)	(3)	–	–	–	(3)	–
Variability at 31 December 2015	**21,236**	**211**	**(174)**	**105**	**(105)**	**106**	**(69)**
2014 effects							
Financial assets							
Loans	1,136	11	–	–	–	11	–
Receivables							
Deposits with the MEF	5,467	55	(55)	–	–	55	(55)
Other financial receivables	946	9	(3)	–	–	9	(3)
Available-for-sale financial assets							
Fixed-income instruments	7,758	79	(65)	55	(55)	24	(10)
Financial assets at FV through profit or loss							
Fixed-income instruments	129	1	(1)	1	(1)	–	–
Structured bonds	500	5	(5)	5	(5)	–	–
Cash and deposits attributable to BancoPosta							
Bank deposits	122	–	–	–	–	–	–
Cash and cash equivalent							
Bank deposits	786	8	(7)	4	(4)	4	(3)
Deposits with the MEF	934	9	–	–	–	9	–
Financial liabilities							
Borrowings							
Bonds	(346)	(4)	1	–	–	(4)	1
Borrowings from financial institutions	(3,920)	(10)	1	–	–	(10)	1
Borrowings from subsidiaries	(168)	(2)	–	–	–	(2)	–
Variability at 31 December 2014	**13,344**	**161**	**(134)**	**65**	**(65)**	**96**	**(69)**

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €5,855 million; fixed and variable rate government bonds with a total nominal value of €170 million, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €1,440 million; and an inflation-linked bond issued by the Italian Republic, with a nominal value of €100 million, which has been hedged against changes in its fair value;
- a portion of the securities portfolio held by the Poste Vita group, with a nominal value of €10,966 million;
- receivables of €916 million, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments.

CASH FLOW INFLATION RISK

The table below analyses the sensitivity of future cash flows for the Group's financial assets at 31 December 2015.

POSTE ITALIANE GROUP – CASH FLOW INFLATION RISK

Item (€m)	Position		Change in value		Effect on liability towards policyholders		Pre-tax profit	
	Nominal	Fair value	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps
2015 effects								
Financial assets								
Available-for-sale financial assets	8,138	9,458	(277)	277	(273)	273	(4)	4
Fixed-income instruments	8,138	9,458	(277)	277	(273)	273	(4)	4
Variability at 31 December 2015	**8,138**	**9,458**	**(277)**	**277**	**(273)**	**273**	**(4)**	**4**
2014 effects								
Financial assets								
Available-for-sale financial assets	7,423	8,511	280	(280)	272	(272)	8	(8)
Fixed-income instruments	7,423	8,511	280	(280)	272	(272)	8	(8)
Variability at 31 December 2014	**7,423**	**8,511**	**280**	**(280)**	**272**	**(272)**	**8**	**(8)**

At 31 December 2015, cash flow inflation risk regards inflation-linked government securities not subject to cash flow hedges or fair value hedges. These have a total nominal value of €8,138 million, of which €6,061 million were held by the Poste Vita group, €2,060 million by BancoPosta RFC and €17 million by BancoPosta Fondi SpA SGR.

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. Financial statement balances at 31 December 2015 have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements.
The principal financial assets subject to price risk and the results of the analysis carried out as at 31 December 2015 for the Company are shown in the following table.

POSTE ITALIANE SPA – PRICE RISK

Date of reference of the analysis *(€m)*	Position	Change in value		Pre-tax profit		Equity reserves before taxation	
		+ Vol	– Vol	+ Vol	– Vol	+ Vol	– Vol
2015 effects							
Financial assets attributable to BancoPosta							
Available-for-sale financial assets	182	15	(15)	–	–	15	(15)
Equity instruments	182	15	(15)	–	–	15	(15)
Financial assets							
Available-for-sale financial assets	6	1	(1)	–	–	1	(1)
Other investments	6	1	(1)	–	–	1	(1)
Variability at 31 December 2015	**188**	**16**	**(16)**	**–**	**–**	**16**	**(16)**
2014 effects							
Financial assets attributable to BancoPosta							
Available-for-sale financial assets	56	14	(14)	–	–	14	(14)
Equity instruments	56	14	(14)	–	–	14	(14)
Financial assets							
Available-for-sale financial assets	6	1	(1)	–	–	1	(1)
Other investments	6	1	(1)	–	–	1	(1)
Variability at 31 December 2014	**62**	**15**	**(15)**	**–**	**–**	**15**	**(15)**

Available-for-sale financial assets exposed to the risk in question regard primarily equities.

At 31 December 2015, equity instruments include:

- Class B Mastercard Incorporated and Class C VISA Incorporated shares held by BancoPosta RFC, totalling €67 million and €3 million, respectively. For the purposes of the sensitivity analysis, the shares held in the portfolio are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.
- Units of mutual investment funds, amounting to €6 million held outside the ring-fence as "Other investments".

The preceding analysis did not include the €111 million in fair value relating to the investment in Visa Europe Ltd., described in note A5, for which, as of the reporting date, there no historical data or other evidence of market changes that can be used in the stress test.

FOREIGN EXCHANGE RISK

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

At 31 December 2015, this item primarily refers to equity instruments denominated in US dollars and Special Drawing Rights. The table below shows the sensitivity to foreign exchange risk at 31 December 2015 of the Company's financial assets.

POSTE ITALIANE SPA – FOREIGN EXCHANGE RISK/USD

Date of reference of the analysis *(m)*	**Position in USD**	**Position in €**	**Change in value**		**Pre-tax profit**		**Equity reserves before taxation**	
			+ 260-day vol.	**–260-day vol.**	**+ 260-day vol.**	**–260-day vol.**	**+ 260-day vol.**	**–260-day vol.**
2015 effects								
Financial assets attribuitable to BancoPosta								
Available-for-sale financial assets	77	71	9	(9)	–	–	9	(9)
Equity instruments	77	71	9	(9)	–	–	9	(9)
Fixed-income instruments	–	–	–	–	–	–	–	–
Variability at 31 December 2015	**77**	**71**	**9**	**(9)**	**–**	**–**	**9**	**(9)**
2014 effects								
Financial assets attribuitable to BancoPosta								
Available-for-sale financial assets	68	56	4	(4)	–	–	4	(4)
Equity instruments	68	56	4	(4)	–	–	4	(4)
Fixed-income instruments	–	–	–	–	–	–	–	–
Variability at 31 December 2014	**68**	**56**	**4**	**(4)**	**–**	**–**	**4**	**(4)**

THE FOREIGN EXCHANGE RISK RELATES TO THE SHARES DENOMINATED IN US DOLLARS

POSTE ITALIANE SPA – FOREIGN EXCHANGE RISK/SDR

Date of reference of the analysis *(m)*	Position in SDR	Position in €	Change in value		Pre-tax profit		Equity reserves before taxation	
			+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.	+ 260-day vol.	- 260-day vol.
2015 effects								
Current assets in SDRs	75	95	5	(5)	5	(5)	–	–
Current liabilities in SDRs	(72)	(92)	(5)	5	(5)	5	–	–
Variability at 31 December 2015	**3**	**3**	**–**	**–**	**–**	**–**	**–**	**–**
2014 effects								
Current assets in SDRs	61	73	2	(2)	2	(2)	–	–
Current liabilities in SDRs	(66)	(78)	(2)	2	(2)	2	–	–
Variability at 31 December 2014	**(5)**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) and used worldwide to settle debits and credits among postal operators.

FAIR VALUE INTEREST RATE RISK

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of change in interest rates on the spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument duration.

In line with previous years, the following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The measures of sensitivity shown in the following analysis provide a reference point which is useful in assessing potential changes in fair value in the event of greater movements in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2015 for the Company's positions.

POSTE ITALIANE SPA – FAIR VALUE INTEREST RATE RISK

Date of reference of the analysis *(€m)*	**Risk exposure**		**Change in value**		**Pre-tax profit**		**Equity reserves before taxation**	
	Nominal value	**Fair value**	**+100bps**	**–100bps**	**+100bps**	**–100bps**	**+100bps**	**–100bps**
2015 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	26,428	32,415	(1,283)	493	–	–	(1,283)	493
Fixed-income instruments	26,428	32,415	(1,283)	493	–	–	(1,283)	493
Financial assets								
Available-for-sale financial assets	500	569	(2)	(5)	–	–	(2)	(5)
Fixed-income instruments	500	569	(2)	(5)	–	–	(2)	(5)
Financial liabilities								
Derivative financial instruments	(50)	(5)	3	(4)	–	–	3	(4)
Cash flow hedges	(50)	(5)	3	(4)	–	–	3	(4)
Variability at 31 December 2015	**26,878**	**32,979**	**(1,282)**	**484**	**–**	**–**	**(1,282)**	**484**
2014 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	23,941	28,751	(1,014)	206	–	–	(1,014)	206
Fixed-income instruments	23,941	28,751	(1,014)	206	–	–	(1,014)	206
Financial assets								
Available-for-sale financial assets	500	569	(3)	(7)	–	–	(3)	(7)
Fixed-income instruments	500	569	(3)	(7)	–	–	(3)	(7)
Financial liabilities								
Derivative financial instruments	(50)	(7)	4	(5)	4	(5)	–	–
Fair value through profit or loss	(50)	(7)	4	(5)	4	(5)	–	–
Variability at 31 December 2014	**24,391**	**29,313**	**(1,013)**	**194**	**4**	**(5)**	**(1,017)**	**199**

Available-for-sale financial assets exposed to fair value interest rate risk regard primarily:

- €30,915 million in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €11,131 million, variable rate bonds converted into fixed rate bonds via asset swaps used as cash flow hedges, amounting to €2,177 million, variable rate bonds amounting to €2,681 million (of which €2,508 million in inflation-linked instruments and €173 million 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 €14,926 million;
- €1,500 million in fixed-rate bonds issued by CDP, and guaranteed by the Italian government, held by BancoPosta RFC;
- €569 million in investments held outside the ring-fence.

Within the context of **financial derivatives**, the risk in question concerns the decrease in fair value, in the amount of €5 million, of a derivative contract entered into by the Parent Company in 2013 to hedge the cash flows of the bond with a nominal value of €50 million issued on 25 October 2013 (note 4.3, tab. A6.4).

With reference to the interest rate risk exposure determined by the average duration of the portfolios, in 2015 the duration[100] of BancoPosta's overall investments went from 5.2 to 5.58.

(100) Duration is the indicator used to estimate the percentage change in price of in response to a shift in market returns (i.e. + 100 bps).

SPREAD RISK

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads, compared to changes in risk-free rates, also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, which is hedged by the Company, no hedging policy is in place to protect against credit risk. Therefore, if interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures. In 2015, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 97 bps at 31 December 2015 (from 138 bps at 31 December 2014). The progressive improvement in the market's perception of Italy's credit rating in 2015 has had a positive impact on the price of Italian government securities, generating fair value gains on those classified as available-for-sale (AFS), with some gains realised.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

In addition to using the above sensitivity analysis, the Company monitors spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VaR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The table below shows the results of the analysis of sensitivity to country risk of the most significant positions in the Company's portfolios at 31 December 2015.

POSTE ITALIANE SPA – EFFECT OF CREDIT SPREAD ON FAIR VALUE

Date of reference of the analysis *(€m)*	Risk exposure		Change in value		Pre-tax profit		Equity reserves before taxation	
	Nominal	Fair value	+100bps	–100bps	+100bps	–100bps	+100bps	–100bps
2015 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	26,428	32,415	(3,036)	3,422	–	–	(3,036)	3,422
Fixed-income instruments	26,428	32,415	(3,036)	3,422	–	–	(3,036)	3,422
Financial assets								
Available-for-sale financial assets	500	569	(22)	17	–	–	(22)	17
Fixed-income instruments	500	569	(22)	17	–	–	(22)	17
Variability at 31 December 2015	**26,928**	**32,984**	**(3,058)**	**3,439**	**–**	**–**	**(3,058)**	**3,439**
2014 Effects								
Financial assets attributable to BancoPosta								
Available-for-sale financial assets	23,941	28,751	(2,122)	2,384	–	–	(2,122)	2,384
Fixed-income instruments	23,941	28,751	(2,122)	2,384	–	–	(2,122)	2,384
Financial assets								
Available-for-sale financial assets	500	569	(26)	27	–	–	(26)	27
Fixed-income instruments	500	569	(26)	27	–	–	(26)	27
Variability at 31 December 2014	**24,441**	**29,320**	**(2,148)**	**2,411**	**–**	**–**	**(2,148)**	**2,411**

The table below shows the VaR analysis performed on the most significant positions in the Company's portfolio at 31 December 2015.

POSTE ITALIANE SPA – VAR ANALYSIS

Date of reference of the analysis (€m)	Risk exposure		Spread VaR
	Nominal value	Fair value	
2015 Effects			
Financial assets attributable to BancoPosta			
Available-for-sale financial assets	26,428	32,415	260
Fixed-income instruments	26,428	32,415	260
Financial assets			
Available-for-sale financial assets	500	569	4
Fixed-income instruments	500	569	4
Variability at 31 December 2015	**26,928**	**32,984**	**262**
2014 Effects			
Financial assets attributable to BancoPosta			
Available-for-sale financial assets	23,941	28,751	238
Fixed-income instruments	23,941	28,751	238
Financial assets			
Available-for-sale financial assets	500	569	2
Fixed-income instruments	500	569	2
Variability at 31 December 2014	**24,441**	**29,320**	**240**

At 31 December 2015, **available-for-sale financial assets attributable to BancoPosta RFC** show a potential maximum loss of €260 million for the spread risk exposure alone (€238 million at 31 December 2014), while **financial assets held outside the ring-fence** show a potential maximum loss on available-for-sale financial assets of €4 million for the spread risk exposure alone (€2 million t 31 December 2014).

Poste Italiane SpA estimates the VaR for available-for-sale financial assets and derivative instruments, also taking into account the combined effects of fair value interest rate risk and spread risk (also in this case the VaR is estimated on statistical bases over a 1-day time horizon and at a 99% confidence level). The analysis reveals the following:

- **financial assets attributable to BancoPosta RFC** show a potential maximum loss on available-for-sale financial assets, relating to fair value interest rate risk and spread risk, of €332 million at 31 December 2015 (€216 million at 31 December 2014);
- **financial assets held outside the ring-fence** show a potential maximum loss on available-for-sale financial assets, relating to fair value interest rate risk and spread risk, of €4 million at 31 December 2015 (€2 million at 31 December 2014).

The changes that have occurred with respect to 31 December 2014 depend on the higher volatility of risk factors in 2015.

CREDIT RISK

Credit risk refers to all financial instruments, 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 2015, the ratings revised by the main agencies did not result in changes in the weighted average rating of the Company's exposures, which, for investments other than Italian government bonds, was A3 at 31 December 2015, unchanged from 31 December 2014.

The Company's **financial assets** exposed to credit risk at 31 December 2015 are shown in the table below. The ratings reported in the table have been assigned by Moody's.

POSTE ITALIANE SPA – CREDIT RISK ON FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA

Item (€m)	Balance at 31 December 2015				Balance at 31 December 2014			
	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
Financial assets attributable to BancoPosta								
Loans and receivables	96	8,094	621	8,811	113	6,870	348	7,331
Loans	–	204	213	417	–	–	–	–
Receivables	96	7,890	408	8,394	113	6,870	348	7,331
Held-to-maturity financial assets	–	12,886	–	12,886	–	14,100	–	14,100
Fixed-income instruments	–	12,886	–	12,886	–	14,100	–	14,100
Available-for-sale financial assets	–	32,415	–	32,415	–	28,751	–	28,751
Fixed-income instruments	–	32,415	–	32,415	–	28,751	–	28,751
Derivative financial instruments	25	256	48	329	4	45	–	49
Cash flow hedges	3	44	–	47	4	45	–	49
Fair value hedges	22	212	48	282	–	–	–	–
Fair value through profit or loss	–	–	–	–	–	–	–	–
Total	**121**	**53,651**	**669**	**54,441**	**117**	**49,766**	**348**	**50,231**

POSTE ITALIANE SPA – CREDIT RISK ON FINANCIAL ASSETS

Item (€m)	Balance at 31 December 2015				Balance at 31 December 2014			
	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
Financial assets								
Loans and receivables	–	55	895	950	–	171	1,001	1,172
Loans	–	–	887	887	–	–	992	992
Receivables	–	55	8	63	–	171	9	180
Held-to-maturity financial assets	–	–	–	–	–	–	–	–
Fixed-income instruments	–	–	–	–	–	–	–	–
Available-for-sale financial assets	–	569	–	569	–	569	–	569
Fixed-income instruments	–	569	–	569	–	569	–	569
Derivative financial instruments	–	–	–	–	–	–	–	–
Cash flow hedges	–	–	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–	–	–
Fair value through profit or loss	–	–	–	–	–	–	–	–
Total	**–**	**624**	**895**	**1,519**	**–**	**740**	**1,001**	**1,741**

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 collateralised by deposits or the physical delivery of financial instruments (in accordance with Credit Support Annexes). Exposure is quantified and monitored using the "market value" method provided for by Regulation (EU) 575/2013 (Basel 3).

Trade receivables exposed to credit risk at 31 December 2015 are shown in the table below.

POSTE ITALIANE SPA – CREDIT RISK ON TRADE RECEIVABLES

Description *(€m)*	**At 31 December 2015**		**At 31 December 2014**	
	Carrying amount	**Specific impairment**	**Carrying amount**	**Specific impairment**
Trade receivables				
Due from customers	1,527	(328)	2,080	(297)
Cassa Depositi e Prestiti	397	–	901	–
Ministries and public entities	461	(112)	608	(103)
Foreign correspondents	233	–	189	–
Private customers	436	(216)	382	(194)
Due from MEF	322	(147)	1,149	(166)
Due from subsidiaries	293	–	259	–
Due from associates	–	–	–	–
Total	**2,142**		**3,488**	
of which past due	***421***		***379***	

In relation to "Revenue and receivables due from the state", the nature of the Company's customers, the structure of revenue and the method of collection limit the risk of default on trade receivables. However, as explained in note 2.4, certain of the Company's activities envisage only partial reimbursement by the government of the cost incurred by the Company and amounts due are not always provided for in the state budget. Such activities are typically regulated by statute and specific agreements or contracts which involve particularly complex renewal processes (e.g. the universal postal service and discounted tariffs for election campaigns).

All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

The Company's **other receivables and assets** exposed to the risk in question at 31 December 2015 are shown in the table below.

POSTE ITALIANE SPA – CREDIT RISK ON OTHER RECEIVABLES AND ASSETS

Item (€m)	At 31 December 2015		At 31 December 2014	
	Carrying amount	Specific impairment	Carrying amount	Specific impairment
Other receivables and assets				
Due from tax authorities – tax withholdings	1,219	–	1,116	–
Receivables due from staff under fixed-term contract settlements	232	(6)	254	(6)
Accrued income and prepaid expenses from trading transactions	6	–	7	–
Tax assets	1	–	9	–
Due from subsidiaries	3	–	2	–
Other receivables	191	(50)	203	(49)
Amount due under 2015 Stability Law implementing EU Court sentence	–	–	535	–
Interest accrued on IRES refund	46	–	69	–
Total	**1,698**		**2,195**	
of which past due	***45***		***47***	

Lastly, with regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, Poste Italiane SpA's exposure to sovereign debt[101] at 31 December 2015 is shown in the table below, which provides details of the nominal value, carrying amount and fair value of each type of portfolio.

POSTE ITALIANE SPA – EXPOSURE TO SOVEREIGN DEBT

Item (€m)	At 31 December 2015			At 31 December 2014		
	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta						
Italy	37,540	43,801	45,972	37,749	42,851	45,014
Held-to-maturity investments	12,612	12,886	15,057	13,808	14,100	16,263
Available-for-sale financial assets	24,928	30,915	30,915	23,941	28,751	28,751
Financial assets recognised at FV through profit or loss	–	–	–	–	–	–
Financial assets						
Italy	500	569	569	500	569	569
Held-to-maturity investments	–	–	–	–	–	–
Available-for-sale financial assets	500	569	569	500	569	569
Financial assets recognised at FV through profit or loss	–	–	–	–	–	–
Total	**38,040**	**44,370**	**46,541**	**38,249**	**43,420**	**45,583**

(101) "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

LIQUIDITY RISK

In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, the Company applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amounts and the number of banks;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

The following tables compare the Group's liabilities and assets at 31 December 2015, in terms of liquidity risk.

POSTE ITALIANE SPA – LIQUIDITY RISK – LIABILITIES

Description *(€m)*	**At 31 December 2015**				**At 31 December 2014**			
	Within 12 months	**Between 1 and 5 years**	**Over 5 years**	**Total**	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities attributable to BancoPosta	21,457	11,978	18,458	51,893	22,990	9,061	16,726	48,777
Postal current acounts	17,786	8,137	17,929	43,852	17,090	7,541	16,726	41,357
Borrowings	1,504	3,428	–	4,932	4,143	1,520	–	5,663
Other financial liabilities	2,167	413	529	3,109	1,757	–	–	1,757
Financial liabilities	615	1,209	56	1,880	2,269	1,241	58	3,568
Trade payables	1,229	–	–	1,229	1,222	–	–	1,222
Other liabilities	1,475	833	35	2,343	1,435	674	39	2,148
Total liabilities	**24,776**	**14,020**	**18,549**	**57,345**	**27,916**	**10,976**	**16,823**	**55,715**

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity. The maturities of postal current account deposits are based on a statistical/econometric model of typical postal current account interest rates and maturities, in turn based on a prudent projection of the future volume of deposits. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2015.

POSTE ITALIANE SPA – LIQUIDITY RISK – ASSETS

Item (€m)	At 31 December 2015				At 31 December 2014			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta								
Loans	417	–	–	417	–	–	–	–
Receivables	8,394	–	–	8,394	7,331	–	–	7,331
Deposits with the MEF	5,899	–	–	5,899	5,541	–	–	5,541
Other financial receivables	2,495	–	–	2,495	1,790	–	–	1,790
Held-to-maturity financial assets	1,864	6,544	7,689	16,097	1,795	6,995	9,101	17,891
Fixed-income instruments	1,864	6,544	7,689	16,097	1,795	6,995	9,101	17,891
Available-for-sale financial assets	1,657	9,047	30,059	40,763	3,067	8,461	22,454	33,982
Fixed-income instruments	1,657	9,047	30,059	40,763	3,067	8,461	22,454	33,982
Financial assets	584	83	1,148	1,815	659	241	1,150	2,050
Trade receivables	2,137	2	3	2,142	3,438	54	–	3,492
Other receivables and assets	832	820	81	1,733	1,464	675	98	2,237
Cash and deposits attributable to BancoPosta	3,161	–	–	3,161	2,873	–	–	2,873
Cash and cash equivalents	1,520	–	–	1,520	986	–	–	986
Total assets	**20,566**	**16,496**	**38,980**	**76,042**	**21,613**	**16,426**	**32,803**	**70,842**

Assets, broken down by maturity, are shown above at nominal value and increased, where applicable, by interest receivable. The item "Investments in securities" is shown on the basis of expected cash flows, which consist of principal and interest paid at the various payment dates.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for retail and business customers, ten years for balances held with PostePay and five years for Public Administration customers.

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates. Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve (+/- 100 bps). Sensitivity to cash flow interest rate risk at 31 December 2015 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 *(€m)*	Risk exposure	Change in value		Pre-tax profit	
	Nominal value	+100 bps	–100 bps	+100 bps	–100 bps
2015 effects					
Financial assets attributable to BancoPosta					
Receivables					
Amounts due from MEF	5,855	59	(43)	59	(43)
Other financial receivables	864	9	(1)	9	(1)
Available-for-sale financial assets					
Fixed-income instruments	1,335	13	(1)	13	(1)
Financial assets					
Loans	805	8	(8)	8	(8)
Receivables					
Other financial receivables	52	1	–	1	–
Available-for-sale financial assets					
Fixed-income instruments	375	4	–	4	–
Cash and deposits attributable to BancoPosta					
Bank deposits	218	1	–	1	–
Cash and cash equivalents					
Deposits with the MEF	391	4	(1)	4	(1)
Bank deposits	29	–	–	–	–
Financial liabilities attributable to BancoPosta					
Borrowings					
Financial institutions borrowings	–	–	–	–	–
Other financial liabilities	(81)	(1)	–	(1)	–
Financial liabilities					
Financial liabilities due from the MEF	(72)	(1)	1	(1)	1
Other financial liabilities	(1)	–	–	–	–
Variability at 31 December 2015	**9,770**	**97**	**(53)**	**97**	**(53)**

Date of reference of the analysis *(€m)*	Risk exposure	Change in value		Pre-tax profit	
	Nominal value	+100 bps	–100 bps	+100 bps	–100 bps
2014 effects					
Financial assets attributable to BancoPosta					
Receivables					
Amounts due from MEF	5,467	55	(55)	55	(55)
Other financial receivables	892	9	(3)	9	(3)
Available-for-sale financial assets					
Fixed-income instruments	1,490	15	(5)	15	(5)
Financial assets					
Loans	912	9	(9)	9	(9)
Receivables					
Other financial receivables	54	1	–	1	–
Available-for-sale financial assets					
Fixed-income instruments	375	4	(1)	4	(1)
Cash and deposits attributable to BancoPosta					
Bank deposits	123	–	–	–	–
Cash and cash equivalents					
Deposits with the MEF	934	9	–	9	–
Bank deposits	35	–	–	–	–
Financial liabilities attributable to BancoPosta					
Loans					
Financial institutions borrowings	(2,900)	–	–	–	–
Other financial liabilities	(34)	–	–	–	–
Financial liabilities					
Borrowings					
Financial institutions borrowings	–	–	–	–	–
Financial liabilities due from the MEF	(887)	(9)	9	(9)	9
Other financial liabilities	(3)	–	–	–	–
Variability at 31 December 2014	**6,458**	**93**	**(64)**	**93**	**(64)**

Specifically, with respect to **financial assets attributable to BancoPosta**, the cash flow interest rate risk primarily relates to:

- investment of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €5,855 million; fixed and variable rate government bonds with a total nominal value of €170 million, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of €1,065 million; and an inflation-linked bond issued by the Italian Republic, with a nominal value of €100 million, which has been hedged against changes in its fair value;
- receivables of €864 million reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments.

With respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- loans to other Group companies, totalling €805 million;
- fixed rate government bonds swapped into variable rate bonds via fair value hedges, amounting to a total nominal amount of €375 million.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily regards amounts deposited with the MEF and held in the so-called buffer account (€391 million).

CASH FLOW INFLATION RISK

At 31 December 2015, cash flow inflation rate risk regards inflation-linked government securities not subject to cash flow hedges held by BancoPosta RFC for a nominal amount of €2,060 million and a fair value of €2,508 million. A sensitivity analysis showed negligible effects.

5.2 OTHER RISKS

OPERATIONAL RISK

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

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operating risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

At 31 December 2015, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Event Type	Number of types
Internal fraud	31
External fraud	51
Employee pratices and workplace safety	8
Customers, products and business pratices	39
Damage to tangible assets	4
Busoness disruption and system failure	8
Process execution, management and delivery	178
Total at 31 December 2015	**319**

For each type of mapped risk, the Company has recorded and classified the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the Company to prioritise mitigation initiatives and attribute responsibilities to competent functions, in order to contain any future impact.

In the latter part of 2015, certain contracts on investment management services to BancoPosta RFC expired. The operational aspects arising from the circumstances are being carefully monitored and appropriate risk mitigation measures are being progressively implemented.

Poste Vita SpA and Poste Assicura SpA have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure involves both qualitative and quantitative analysis and is conducted through a structured process of identifying and assessing potential risks in terms of frequency, impact and mitigation. The overall risk exposure is modest thanks to the adoption of organisational measures and mitigating risk controls.

In the insurance business, the most significant events for the Group regard errors in the execution of processes.

INSURANCE RISKS

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.).

In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy. Particular attention is paid in selling pure life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure. The main reinsurers of the Group are characterised by substantial financial strength.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

Nevertheless, at 31 December 2015, the mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance, for which actual death rates are compared from time to time with those projected on the basis of the demographics adopted for pricing purposes; to date, the former have always turned out to be much lower than the latter. Moreover, mortality risk is mitigated through reinsurance and by setting limits on both the capital and the age of the policyholder when policies are sold.

Longevity risk is also low. In fact, for most life insurance products the probability of annuitisation is very close to zero, as historical experience shows that policyholders never use the option to annuitise. Pension products, in particular, still account for a limited share of insurance liabilities (about 4%). In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

Pricing risk is the risk of incurring losses due to the inadequate premiums charged for the insurance products sold. It may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in Poste Vita's portfolio, except for the term life insurance products discussed above.

The options embedded in the policies held in the portfolio include:

- Surrender option;
- Guaranteed minimum return option;
- Annuity conversion option.

For nearly all the products in the portfolio there are no surrender penalties. The surrender risk only becomes significant, however, in the event of mass surrenders which, on the basis of historical evidence, have a low probability of occurrence.

Poste Assicura SpA is exposed to the following insurance risks:

- Underwriting risk: the risk deriving from the conclusion of insurance contracts associated with the events insured, the processes followed when pricing and selecting risks and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:
  - Pricing risk: the risk linked to the company's pricing of its policies which depends on the assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. These risks include those related to

disability-morbidity, or the risk associated with the payment of benefits or claims for illness and/or injury. Pricing risk also includes the risk that the premiums charged are not sufficient to cover the actual costs incurred in the management of the contract and the risk of excessive growth in operations associated with poor selection of risks or the absence of resources sufficient to keep up with the pace of growth.

  – Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.

- Catastrophe risk: the risk that extreme and exceptional events have a negative impact that has not been taken into account when pricing the policies.
- Anti-selection risk: this relates to the company's unwillingness to insure an event not classified as future, uncertain and damaging.

As regards Poste Assicura SpA's insurance business, which commenced operations in 2010, the expected growth of the portfolio and the different degrees of risk associated with the products distributed has required the company to adopt a highly prudent approach to reinsurance. In particular, it has entered into pro rata reinsurance treaties with major reinsurance providers, establishing the amounts to be ceded based on the specific type and size of the risk to be assumed, backed up by excess-loss or stop-loss treaties to cover risks of a certain size (such as accident policies or so-called catastrophic risks). In addition, when defining the guarantees offered, the assumption of specific types of risk has been mitigated by limiting the size of pay-outs in the event of certain specific types of claim.

With reference to non-life risks, the Group performs specific analyses including, among other things, stress tests to determine the Company's solvency also under adverse market conditions.

REPUTATIONAL RISK

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

The Poste Italiane Group has several Contact Centres, for both the internal and the external markets, combining the different contact channels to effectively manage customer service. To optimise the use of internal and external resources, it was decided to combine contact centre operations for all Group companies and, in 2015, calls for tenders were launched to find a suitable provider to manage the entire service. On completion of the tender process, the companies to which SDA Express Courier had outsourced the services until the end of 2015 – Uptime SpA, a joint venture[102] and Gepin Contact SpA (the other shareholder of Uptime SpA) – were not awarded the contract and, on 30 December 2015, SDA terminated its relationships with these companies, as provided for in the relevant contracts, with effect from 1 July 2016. This termination could have repercussions for jobs at both companies and, on 2 March 2016, an Ordinary General Meeting of Uptime SpA's shareholders voted by a majority to call an Extraordinary General Meeting for 16 March 2016 to terminate operations and wind-up the company.
Strictly in terms of employment law – even though no court document or formal letter of notice has been received so far – the possibility of disputes arising with staff employed by the two companies cannot be ruled out. Any claims will be assessed on merit in view of the actual circumstances.

(102) This joint venture (71.43% owned by Gepin Contact SpA, 28.57% owned by SDA Express Courier SpA) did not take part in the tender as it did not meet the elevant requirements.

From a civil law standpoint, however, with a memorandum on 26 February 2016, Gepin Contact claimed damages of €10.5 million from SDA. As grounds for this claim, the counterparty pointed out that, as it only received the notice of termination on 29 December 2015, it was unable to access the special redundancy fund, which was abolished by Legislative Decree 148/2015 on 31 December 2015. According to the plaintiff's version of events, SDA should have taken account of this issue and terminated the contract in due time to prevent such an occurrence. As matters stand, the claim appears to be largely unfounded. Indeed, SDA merely exercised – in the correct manner – its contractual right, by which, among other things, the parties had established that there can be no grounds for any claim for damages or compensation. From another standpoint, SDA's conduct could not have been legitimately interpreted as giving Gepin any assurance that the contract would have been extended.

On this basis, no appreciable elements currently exist to define and/or quantify any potential risks with respect to this matter, either in terms of possible disputes or with regard to reputation. However, given the above circumstances, future developments that might have an effect on profit or loss in reporting periods subsequent to the period ended 31 December 2015 cannot be excluded.

6 Proceedings pending and relations with the authorities

LITIGATION

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

On 27 February 2015, the tax authorities notified **Poste Italiane SpA** of an indictment for accounting irregularities before the Court of Auditors for the Lazio region, regarding a number of accounting records for the handling and distribution of revenue stamps in the years between 2007 and 2010. The hearing was held on 2 July 2015. With sentence no. 332 of 9 July 2015, the Court of Auditors for the Lazio region fined the Parent Company an amount of €8 million, plus monetary revaluation and legal interest. The sentence was notified on 9 September 2015. The Company filed an appeal and the date of the first hearing is pending. In the meantime, the tax authorities collected the sum under the guarantee and requested payment of the remaining sum pursuant to the decision. The Company complied by paying the required amount.

TAX DISPUTES

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 **BdM-MCC SpA** received an official tax audit report contesting the deductibility of €19.6 million in costs, relating to agreements effected in 2008 to settle disputes with the Parmalat Group. The report further claims that BdM-MCC underreported its taxable income by €16.2 million, relating to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. Considering that for the 2008 tax year the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Tax Tribunal. In May 2015, the tax authorities filed an appeal against the first decision before the Provincial Tax Tribunal. The hearing was scheduled for 10 May 2016. However, 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. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company proceeded to pay a total of approximately €2.1 million within the required deadline. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. Following the successful appeal, on 10 June 2015, Equitalia reimbursed the full sum paid to EGI SpA. On 24 April 2015, the tax authorities notified EGI that they had filed an appeal with the Court of Cassation, requesting annulment of the judgement on appeal in favour of the company, and on 12 June 2015 EGI SpA presented a cross appeal. The litigation is currently pending before the Supreme Court of Cassation.

In 2009, the Regional Tax Office for Large Taxpayers (Agenzia delle Entrate – *Direzione Regionale del Lazio – Ufficio Grandi Contribuenti*) notified **Poste Vita SpA** of an alleged violation of the VAT regulations in the 2004 tax year, resulting in fines of approximately €2.3 million for the alleged failure to pay VAT on invoices for service commissions. Poste Vita SpA appealed the above findings before the Provincial Tax Tribunal of Rome. In December 2010 and September 2011, the tax authorities sent notices of two further small fines for the same violation in fiscal years 2005 and 2006. These fines have also been appealed. With regard to the dispute over VAT for 2004 and 2006, the Provincial Tax Tribunal of Rome has found in the company's favour, ruling that the tax authorities' allegations are without grounds. The tax authorities have challenged such rulings by filing an appeal. The Regional Tax Tribunal of Rome rejected both appeals and confirmed the lack of grounds of the claims against Poste Vita. On 23 October 2015, the State Attorney's Office challenged these decisions and summoned the company to appear before the Court of Cassation. The counterclaims filed by Poste Vita before the Court of Cassation were served to the tax authorities on 3 December 2015 and subsequently entered in the Cassation's registry on 17 December 2015. Regarding the disputes relating to 2005, the first hearing before the Provincial Tax Tribunal of Rome was held on 13 July 2015. As on that date the Provincial Tax Tribunal's sentences regarding the disputes for the years 2004 and 2006 had not yet been filed, the Tribunal in first instance postponed dealing with the appeal until 9 November 2015 in order to comply with the decisions of the Tribunal in second instance and to avoid making conflicting statements about identical cases. With a ruling filed on 24 December 2015, the Provincial Tax Tribunal of Rome found in favour of the company. To date, the tax authorities are still entitled to file another appeal. The likely outcomes of the tax disputes continue to be taken into account in determining provisions for risks and charges.

In 2012, the *Agenzia delle Entrate – Direzione Regionale del Lazio – Settore, Controlli, Contenzioso e Riscossione – Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) began an audit of **Poste Italiane SpA**'s IRES, IRAP, VAT and withholding taxes for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. This audit was extended to include the 2010 tax year, exclusively regarding inspection of VAT exemption relating to postal services. The audit came to an end on 27 October 2014, with the findings being published in the official tax audit report and accepted by Poste Italiane SpA on 26 November 2014, leading to payment of taxes, interest and a fine of a limited total amount. With regard to the issue of the VAT exemption for postal services, the tax authorities did not find any irregularities, merely reporting the matter to the assessing office for 2009 and 2010. Subsequently, on 2 October 2015, the tax authorities closed the case.

On 22 July 2014, the *Nucleo Polizia Tributaria Roma* (Tax Police) commenced a tax audit relating to **Postel SpA** regarding direct taxes and VAT for the tax years from 2009 to 2012 included, with the aim of producing a tax audit report on the violations identified as a result of a criminal investigation, which are described above in the section on litigation. This audit came to an end on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, is contested. To back up its defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000. On 21 December 2015, the tax authorities served a tax assessment notice to the Company, for fiscal year 2010, whereby, in confirming the opinion of the inspectors from the Finance Police on non-deductible VAT amounts for "subjectively non-existing" transactions, the company was ordered to pay €5.6 million plus interest and fines. Considering that the tax assessment notice contains a number of key aspects warranting a radical review of the assessment, and considering the remarks made under article 12, paragraph 7, of Law 212 of 27 July 2000, Postel SpA filed a tax settlement proposal. The likely outcome of this dispute continues to be taken into account in determining provisions for risks and charges[103].

In addition, on 6 July 2015, the *Nucleo Polizia Tributaria Roma* (Tax Police) carried out an inspection at Postel SpA regarding income tax, IRAP and withholding tax, pursuant to and in accordance with articles 32 and 33 of Presidential Decree 600 of 29 September 1973, article 35 of Law 4 of 7 January 1929, and art. 2 of Legislative Decree 68 of 19 March 2001. In particular, the inspection regarded the company's alleged failure to pay social security contributions for employees and/or contractors used by Wizard Srl in the years from 2010 to 2014. The inspection was concluded on 8 October 2015 with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP applied by the company in the tax years 2010 and 2014. On 4 December 2015, the company filed a brief pursuant to article 12, paragraph 7, of Law 212/2000. On 21 December 2015, the tax authorities served the company with a tax assessment notice for 2010 where, in taking the view that the service contracts with Wizard Srl were instead employment contracts, it requested the company to pay VAT, IRES and IRAP totalling €0.2 million, plus penalties and interest. The lack of any basis for the inspectors' claims suggests that, at present, it might be reasonably assumed that the matter will be closed in a positive manner.

Also regarding Postel SpA, various disputes relating to the statute of limitations for IRAP for the years 2004, 2005 and 2006 contested by the tax authorities, as well as an audit for the years from 2003 to 2006, were finally settled in July 2015, entailing payment of largely insignificant amounts.

(103) In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the *Guardia di Finanza – Nucleo Speciale Polizia Valutaria* (Currency Police) in Rome began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio PosteLink, now merged with the company, and Phoenix 2009 Srl.

SOCIAL SECURITY DISPUTES

Since 2012, the *Istituto Nazionale per la Previdenza Sociale* (INPS, the National Institute of Social Security) office at Genoa Ponente has issued **Postel SpA** and Postelprint SpA (regarding which an agreement relating to a merger with Postel SpA was signed on 27 April 2015, effective for accounting and tax purposes from 1 January 2015) a number of notices of adjustment, some of which have resulted in payment orders, for a total amount payable of €12.33 million, which, according to the agency, represents unpaid social security contributions. The companies immediately challenged the grounds for the payment orders, initially through administrative channels before the Administrative Committee for Employee Pensions, and then in the form of legal action before the Court of Genoa. The Court awarded an injunction suspending the payment orders and adjourned the discussion until the related hearings. In a brief filed on 24 May 2014 with regard to one of the pending actions, INPS has for the first time clarified the nature of its claim for unpaid contributions, arguing that the two companies, whilst correctly paying pension contributions to IPOST (a fact that cannot be contested in the light of the authentic interpretation provided by art 7, paragraph 9 *sexies* of Law Decree 101/2013), should have paid non-pension contributions to INPS, on the assumption that IPOST represents a supplementary pension scheme and not an alternative to the general regime, and that its sole purpose is to provide old age, invalidity and survivors' pensions. According to this interpretation, Postel SpA is required to insure their employees with INPS in order to provide other forms of cover (income support, extraordinary income support, unemployment benefit and family benefits) not provided by IPOST. In part based on the opinion of its legal counsel, the company maintains that is has correctly applied the relevant legislation and that INPS's claims are without grounds. The degree of uncertainty linked to the outcome of the pending challenges – for which a hearing has been scheduled for 7 June 2016, in the Court of Genoa – has, in any event, been prudentially taken into account in calculating provisions for risks and charges at 31 December 2015.

PRINCIPAL PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

EUROPEAN COMMISSION

On 13 September 2013, the Court of Justice of the European Union upheld Poste Italiane SpA's appeal, overturning the decision of the European Commission of 16 July 2008 on state aid, ordering the EC to pay legal costs. Acting on the European Commission's Decision, and in accordance with instructions from the Parent Company's shareholder, in November 2008 Poste Italiane SpA made available €443 million plus interest of €41 million to the MEF, which collected the sum in January 2009. In implementation of the European Court's (by then definitive) decision, in accordance with art.1 para. 281 of the 2015 Budget Law, (Law 190 of 23 December 2014), on 13 May 2015, the Company collected the amount of €535 million from its then sole shareholder, the MEF (Note B2). Following the European Court's decision, however, the European Commission reopened its review and appointed an external expert to determine whether (in accordance with art. 1, para. 31 of the 2006 Budget Law – Law 266 of 23 December 2005) the rates of interest earned by the Company on deposits with the MEF during the period from 1 January 2005 to 31 December 2007 were in line with market rates. The external expert has provided the Commission, on a preliminary basis, with an updated version of the analysis originally performed by the Commission. Poste Italiane will collaborate with the relevant national authorities to demonstrate the appropriate nature of the returns earned during the period in question.

On 15 October 2013, the European Commission started a preliminary investigation, pursuant to EU regulations concerning state aid, regarding Alitalia Compagnia Aerea Italiana SpA ("Alitalia"), and submitted a series of requests for information on these matters to the Italian authorities. Subsequently, additional requests were submitted, to which the Italian authorities replied, partly based on information provided by Poste.
On 6 February 2015, the European Commission notified that it had completed its preliminary investigation without finding evidence of state aid as regards Poste Italiane's investment in Alitalia. In fact, Poste Italiane had made an investment on an arm's length basis (pari passu transaction).

AGCM (THE ANTITRUST AUTHORITY)

On 14 March 2012 the Antitrust Authority launched an investigation of Poste Italiane SpA 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 SpA provides individual customers with services for which it does not charge VAT, thereby benefitting from an unjustified competitive advantage in being able to offer services exempt from value added tax. On 23 April 2013 Poste Italiane SpA was notified of the Authority's ruling which, in brief, concluded that the national VAT legislation is not in keeping with that of the EU and, accordingly, must be disapplied. While the ruling did not result in any financial sanctions for the Company, it further concluded that Poste Italiane SpA had abused its dominant position by applying discounts – due to the non-application of VAT – that its competitors could not match, and gave the Company 180 days after notification of the ruling to cease the abuse by charging VAT on postal services. On 21 June 2013, Poste Italiane SpA appealed the Authority's ruling before the Lazio Regional Administrative Court and on 7 February 2014 the appeal was rejected. On 25 March 2014, the Company, therefore, appealed to the Council of State, at the same time requesting suspension of the Regional Administrative Court's sentence and, accordingly, the Authority's ruling. Lastly, on 10 September 2015 the Company informed the Authority and the parties concerned that it had waived the appeal filed with the Council of State requesting that legal costs be equally apportioned among the parties. With ruling 1160/15, filed on 13 October 2015, the Council of State declared the appeal closed. Moreover, on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws, based on the approach adopted by the Antitrust Authority. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

On 9 March 2015, the Authority notified **Poste Italiane SpA** of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. Specifically, the Authority claimed that, in advertising campaigns in February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer the advertised returns were associated with. On 3 April 2015, replies to the requests for information received at the start of investigation were sent to the Authority and, on 23 April 2015, the first set of commitments was submitted. On 12 May 2015, following a hearing held at the Authority's offices, the proposed commitments were revised and added to and a second set of commitments was submitted. On 12 June 2015, the Authority notified its rejection of the proposed set of commitments and its intention to ascertain whether any violation had occurred. On 3 July 2015, the Authority notified its intention to extend the investigation to include Cassa Depositi e Prestiti SpA. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which, pursuant to articles 20, 21 and 22 of the Consumer Code, it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate.

On 4 June 2015, the AGCM launched an investigation pursuant to art.8, paragraph 2 *quater* of Law 287/90, aimed at ascertaining whether actions taken by Poste Italiane were designed to prevent H3G SpA from accessing the post office network. In July 2015, the Authority accepted requests to participate in the investigation from Fastweb SpA and Vodafone Omnitel BV. At the same time as the procedure was launched in respect of Poste Italiane, PosteMobile was subject to an inspection by the Authority at its offices on 4 June 2015. The company, which was inspected as a third party in the proceedings, submitted a request to participate in order to demonstrate its lack of responsibility for any alleged violation. The hearing was held on 18 September 2015, and on 29 October 2015 the Authority released the results of its investigation. With the ruling adopted at a meeting held on 16 December 2015, the Authority deemed that Poste Italiane – at variance with the provisions of art. 8, paragraph 2 *quater* of Law 287/90 – failed, when requested, to offer a competitor of its subsidiary, PosteMobile, equal access to goods and services that are exclusively available from Poste Italiane, as they form part of the activities carried out within the scope of the Universal Postal Service. In the same ruling, the Authority also ruled that Poste Italiane should desist from such conduct in the future. The Authority did not impose a fine. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court on 25 February 2016. At the hearing convened to hear the application for interim relief, a hearing on the merits was scheduled for 9 March 2016.
PosteMobile also lodged an appeal against the final ruling before the Lazio Regional Administrative Court on 19 February 2016. Moreover, on 23 December 2015, H3G SpA also submitted a writ of summons to the Court of Rome, citing Poste Italiane SpA and PosteMobile SpA and requesting that the latter be ordered to pay compensation for damages incurred arising from the violations referred to in the above ruling, amounting to €337 million. The preliminary hearing has been scheduled for 7 April 2016. Prior to this hearing, Poste Italiane, which deems its actions to have been in full compliance with current regulations and has already appointed a counsel for the defence, will file documents at the Registry to be submitted to the judge and prepare an appropriate response, based on a sound defence of its conduct. However, given the complex and novel nature of the matters in hand and the uncertain nature of any judgment, it is difficult to make a reliable forecast on the outcome of the dispute.

AGCOM (THE ITALIAN COMMUNICATIONS AUTHORITY)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector from the Ministry for Economic Development to the Italian Communications Authority (AGCom). A summary of the main pending proceedings is provided in the following notes.

- The investigations concerning the "universal postal service". These concern, following transposition into the Italian legal system of the third Postal directive (Directive 2008/6/EC), the quantification of the charge for the Universal Postal Service through application of the so-called "net avoided cost". With this methodology, the net cost amount is calculated as the difference between the net operating costs for a supplier of the designated universal service – when this is an entity required to provide universal service – and net operating costs in the absence of such requirements. On 29 July 2014, the board of AGCom issued Resolution 412/14/CONS, approving the measure defining the method of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. In confirming that the cost of the universal service for 2011 and 2012 is, in certain respects, unfair and thus merits compensation, the resolution quantified the cost for 2011 and 2012, respectively, as €381 million and €327 million, compared to sums recorded originally by Poste Italiane SpA for approximately €357 million and €350 million (see also note A7.3 in section 3). On 13 November 2014, Poste Italiane SpA challenged this resolution by filing an appeal before the Regional Administrative Court (TAR). A hearing has not been scheduled yet. On 23 September 2014, the Authority began the process covering the analysis and applicability of the method for allocating and assessing the net cost of the Universal Postal Service for 2013, and, on 24 July 2015, confirmed that such process would be extended to include 2014. On the other hand, the Authority has not yet notified the opening of proceedings related to the charges for 2015 which, according to the subsidy cap mechanism in the 2009-2011 Service Contract, should result in the receipt of €329.1 million, by Poste Italiane's own calculation (note 2.4).

BANK OF ITALY

Further steps were taken to reinforce the processes and procedures designed to prevent money laundering and the financing of terrorism, as part of a structured compliance programme that will involve the progressive release of IT components and procedures. In particular, work has continued on the process for acquiring the information needed for "adequate checks" and on the implementation of operating procedures to support compliance with the obligation to refuse to carry out transactions and to return funds, in cases where it is impossible to conduct adequate checks. In addition, the rollout of the new IT platform to help in the process of flagging potentially suspect transactions was completed and, in order to make active cooperation more effective, an organisational procedure was introduced with the aim of improving and speeding up the procedures involved in reporting suspect transactions to Italy's Financial Intelligence Unit (*UIF*).

During 2015, three violations of anti-money laundering legislation were notified to **Poste Italiane SpA**. The Company sent related defence briefs to the Ministry of the Economy and Finance regarding each of the notified cases. Overall, at 31 December 2015, there are 26 pending proceedings at the Ministry of the Economy and Finance, including 24 for failure to report suspect transactions and 2 in relation to violations of the rules governing limits on the use of cash and bearer instruments.

IVASS – ISTITUTO PER LA VIGILANZA SULLE ASSICURAZIONI (THE INSURANCE REGULATOR)

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

CONSOB

The CONSOB commenced a general inspection of the investment services offered by **Poste Italiane SpA**'s BancoPosta division in April 2013, pursuant to art. 10, paragraph 1 of the Consolidated Law on Finance. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. The Company is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures as part of a specific project. Progress is on track and was reported on in a detailed note sent to the CONSOB 4 June 2015. As part of the above inspection, the CONSOB also launched a penalty procedure that was completed on 26 August 2015, with notification of Poste Italiane, as jointly and severally liable party, of the ruling that has fined certain representatives of the Company a total amount of €60 thousand for violation of art. 21 of the Consolidated Law on Finance.

DATA PROTECTION AUTHORITY

On 29 may 2015, in response to certain press reports, the Data Protection Authority asked **Poste Italiane SpA** to provide information regarding alleged processing of the personal data of persons operating at companies (in particular IZI SpA) appointed to monitor postal service quality standards. According to the Authority, the data was processed without providing the parties concerned with the relevant privacy notices and without obtaining their consent to use of the data.
Poste Italiane replied to the Authority before the specified deadline, noting that it had launched a special internal audit in order to be able to provide comprehensive replies to the requests made, as well as updates on subsequent outcomes and the final audit. From the findings of this audit, it appears that certain members of staff interfered with the monitoring systems in violation of the Company's policy. It is currently impossible to ascertain whether this behaviour may have influenced determination of the service quality indicators recorded, and the possibility that the impact of such events may give rise to legal proceedings and fines cannot be ruled out. Poste Italiane has requested its legal experts to go ahead with all appropriate measures. In this context the Company submitted a statement to the judiciary and appeared as the injured party in the related criminal proceedings. It also duly submitted information to AGCOM. Poste Italiane has launched disciplinary proceedings regarding the staff involved in the activities as revealed by the findings of a specific preliminary investigation. A technical committee was set up to manage these proceedings in order to verify the findings regarding the contested audits,

taking into account the defence arguments put forward by the parties concerned and any other evidence that may emerge. So far 246 reprimands have been notified, entailing 15 dismissals and 156 disciplinary measures without dismissal relating to managerial and non-managerial staff. All these measures also refer to the Company's right to take action to protect its rights and interests with respect to findings that may yet emerge and damages the Company may suffer for any reason or cause whatsoever. In the first quarter of 2015, a long-term transformation programme was launched aimed at increasing the level of automation of mail and parcel logistics procedures, in all processing phases, from collection to delivery, partly through the development of IT support systems and platforms. This programme will enable a substantial strengthening of performance monitoring.

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €0.34 million on **Postel SpA**, which the company accounted for in its financial statements for 2013. The company appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation, which was accepted by the judge with a ruling on 16 June 2014. On 21 January 2016, the designated judge reduced the fine by €0.1 million, rejecting the other preliminary exceptions raised on the merits. As a result of this decision, the relevant liabilities have been reduced accordingly.

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BancoPosta RFC Separate Report

for the year ended

31 December 2015

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BANCOPOSTA RFC SEPARATE REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

at 31 December

	Assets *(€)*	**2015**	**2014**
10.	Cash and cash equivalents	3,168,696,276	2,878,161,445
20.	Financial assets held for trading	–	–
30.	Financial assets designated at fair value	–	–
40.	Available-for-sale financial assets	32,597,102,765	28,807,402,339
50.	Held-to-maturity financial assets	12,886,100,728	14,099,685,123
60.	Due from banks	1,303,408,397	916,785,229
70.	Due from customers	8,930,929,259	8,494,067,543
80.	Hedging derivatives	327,730,373	48,600,640
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:	129,995,059	229,993,378
	a) current	*81.412*	*18.574.675*
	b) deferred	*129.913.647*	*211.418.703*
	of which Law 214/2011	–	–
140.	Non-current assets (or disposal groups) held for sale and discontinued operations	–	–
150.	Other assets	1,625,749,863	1,495,140,227
	Total assets	**60,969,712,720**	**56,969,835,924**

STATEMENT OF FINANCIAL POSITION

at 31 December

	Liabilities and equity *(€)*	2015	2014
10.	Due to banks	5,259,019,447	5,550,782,949
20.	Due to customers	45,469,047,813	42,567,169,789
30.	Debt securities in issue	–	–
40.	Financial liabilities held for trading	–	–
50.	Financial liabilities designated at fair value	–	–
60.	Hedging derivatives	1,547,084,115	1,720,211,224
70.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	–	–
80.	Tax liabilities:	1,050,704,719	923,749,853
	a) current	*83.512.427*	*73.187.713*
	b) deferred	*967.192.292*	*850.562.140*
90.	Liabilities included in non-current assets held for sale and discontinued operations	–	–
100.	Other liabilities	2,198,373,077	1,973,022,466
110.	Employee termination benefits	19,037,777	20,219,104
120.	Provisions for risks and charges:	384,292,349	357,819,174
	a) post-employment benefits	*–*	*–*
	b) other provisions	*384.292.349*	*357.819.174*
130.	Valuation reserves	2,506,187,180	1,618,206,800
140.	Redeemable shares	–	–
150.	Equity instruments	–	–
160.	Reserves	1,948,996,672	1,798,990,000
170.	Share premium reserve	–	–
180.	Share capital	–	–
190.	Treasury shares (-)	–	–
200.	Profit/(Loss) for the year (+/-)	586,969,571	439,664,565
	Total liabilities and equity	**60,969,712,720**	**56,969,835,924**

INCOME STATEMENT

for the year ended 31 December

	Income/(Expense) *(€)*	2015	2014
10.	Interest and similar income	1,544,985,186	1,662,196,692
20.	Interest and similar expense	(54,907,970)	(123,179,869)
30.	**Net interest income**	**1,490,077,216**	**1,539,016,823**
40.	Fee and commission income	3,538,129,910	3,560,991,883
50.	Fee and commission expense	(54,748,272)	(49,121,948)
60.	**Net fee and commission income**	**3,483,381,638**	**3,511,869,935**
70.	Dividends and similar income	478,412	404,203
80.	Profits/(Losses) on trading	8,648,747	2,315,175
90.	Fair value adjustments in hedge accounting	338,982	(1,028,474)
100.	Profits/(Losses) on disposal or repurchase of:	426,100,371	381,488,236
	a) loans and advances	–	–
	b) available-for-sale financial assets	*426.100.371*	*381.488.236*
	c) held-to-maturity financial assets	–	–
	d) financial liabilities	–	–
110.	*Profits/(Losses) on financial assets/liabilities designated at fair value*	–	–
120.	**Net interest and other banking income**	**5,409,025,366**	**5,434,065,898**
130.	Net losses/recoveries on impairment of:	(10,955,347)	215,152
	a) loans and advances	*(10.955.347)*	*215.152*
	b) available-for-sale financial assets	–	–
	c) held-to-maturity financial assets	–	–
	d) other financial transactions	–	–
140.	**Net income from banking activities**	**5,398,070,019**	**5,434,281,050**
150.	Administrative expenses:	(4,443,019,490)	(4,692,953,805)
	a) personnel expenses	*(95.364.883)*	*(90.792.283)*
	b) other administrative expenses	*(4.347.654.607)*	*(4.602.161.522)*
160.	Net provisions for risks and charges	(60,108,188)	(31,131,915)
170.	Net losses/recoveries on property, plant and equipment	–	–
180.	Net losses/recoveries on intangible assets	–	–
190.	Other operating income/(expenses)	(37,100,929)	(18,838,733)
200.	**Operating expenses**	**(4,540,228,607)**	**(4,742,924,453)**
210.	Profits/(Losses) on investments	–	–
220.	Profits/(Losses) on fair value measurement 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**	**857,841,412**	**691,356,597**
260.	Taxes on income from continuing operations	(270,871,841)	(251,692,032)
270.	**Income/(Loss) after tax from continuing operations**	**586,969,571**	**439,664,565**
280.	Income/(Loss) after tax from discontinued operations	–	–
290.	**Profit/(Loss) for the year**	**586,969,571**	**439,664,565**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Income/(Expense) *(€)*	2015	2014
10.	**Profit/(Loss) for the year**	**586,969,571**	**439,664,565**
	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	667,332	(1,680,402)
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	(39,552,689)	66,210,759
100.	Available-for-sale financial assets	926,865,737	1,049,396,010
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**	**887,980,380**	**1,113,926,367**
140.	**Comprehensive income (Items 10+130)**	**1,474,949,951**	**1,553,590,932**

STATEMENT OF CHANGES IN EQUITY

(€)	at 31 December 2015									
	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 2014	**–**	**–**	**–**	**798,990,000**	**1,000,000,000**	**1,618,206,800**	**–**	**–**	**439,664,565**	**3,856,861,365**
Adjustments to opening balances	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Opening balances at 1 January 2015	**–**	**–**	**–**	**798,990,000**	**1,000,000,000**	**1,618,206,800**	**–**	**–**	**439,664,565**	**3,856,861,365**
Attribution of retained earnings	**–**	**–**	**–**	**150,000,000**	**–**	**–**	**–**	**–**	**(439,664,565)**	**(289,664,565)**
Reserves	–	–	–	150,000,000	–	–	–	–	(150,000,000)	–
Dividends and other attributions	–	–	–	–	–	–	–	–	(289,664,565)	(289,664,565)
Movements during the year	**–**	**–**	**–**	**6,672**	**–**	**887,980,380**	**–**	**–**	**586,969,571**	**1,474,956,623**
Movements in reserves	–	–	–	6,672	–	–	–	–	–	6,672
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 2015	–	–	–	–	–	887,980,380	–	–	586,969,571	1,474,949,951
Equity at 31 December 2015	**–**	**–**	**–**	**948,996,672**	**1,000,000,000**	**2,506,187,180**	**–**	**–**	**586,969,571**	**5,042,153,423**

(€)	at 31 December 2014									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other(*)					
Closing balances at 31 December 2013	**–**	**–**	**–**	**598,990,000**	**1,000,000,000**	**504,280,433**	**–**	**–**	**374,030,213**	**2,477,300,646**
Adjustments to opening balances	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Opening balances at 1 January 2014	**–**	**–**	**–**	**598,990,000**	**1,000,000,000**	**504,280,433**	**–**	**–**	**374,030,213**	**2,477,300,646**
Attribution of retained earnings	**–**	**–**	**–**	**200,000,000**	**–**	**–**	**–**	**–**	**(374,030,213)**	**(174,030,213)**
Reserves	–	–	–	200,000,000	–	–	–	–	(200,000,000)	–
Dividends and other attributions	–	–	–	–	–	–	–	–	(174,030,213)	(174,030,213)
Movements during the year	**–**	**–**	**–**	**–**	**–**	**1,113,926,367**	**–**	**–**	**439,664,565**	**1,553,590,932**
Movements in reserves	–	–	–	–	–	–	–	–	–	–
Equity-related transactions	–	–	–	–	–	–	–	–	–	–
Issuance of new shares	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–
Payment of extraordinary dividends	–	–	–	–	–	–	–	–	–	–
Movements in equity instruments	–	–	–	–	–	–	–	–	–	–
Derivatives on own shares	–	–	–	–	–	–	–	–	–	–
Stock options	–	–	–	–	–	–	–	–	–	–
Comprehensive income for 2014	–	–	–	–	–	1,113,926,367	–	–	439,664,565	1,553,590,932
Equity at 31 December 2014	**–**	**–**	**–**	**798,990,000**	**1,000,000,000**	**1,618,206,800**	**–**	**–**	**439,664,565**	**3,856,861,365**

(*) This item corresponds to the BancoPosta RFC reserve.

STATEMENT OF CASH FLOWS

for the year ended 31 December

Indirect method

	(€)	2015	2014
A.	**OPERATING ACTIVITIES**		
1.	**Cash flow from operations**	**536,645,316**	**599,268,586**
	– profit/(loss) for the year (+/-)	586,969,571	439,664,565
	– gains/(losses) on financial assets held for trading and on assets and liabilities designated at fair value (-/+)	(2,233,704)	(664,551)
	– gains/(losses) on hedging activities (-/+)	(338,982)	1,028,474
	– net losses/recoveries on impairment (+/-)	10,955,347	(215,152)
	– net losses/recoveries on property, plant and equipment (+/-)	–	–
	– net provisions and other expenses/income (+/-)	252,210,138	342,591,023
	– unpaid taxes and duties (+)	94,882,006	59,873,776
	– net losses/recoveries on disposal groups after tax (+/-)	–	–
	– other adjustments (+/-)	(405,799,060)	(243,009,549)
2.	**Cash flow from/(used for) financial assets**	**(3,687,945,062)**	**(2,114,996,699)**
	– financial assets held for trading	–	–
	– financial assets designated at fair value	–	–
	– available-for-sale financial assets	(2,723,802,144)	(1,292,166,718)
	– due from banks: on demand	2,255,643	5,645,758
	– due from banks: other	(387,971,864)	(546,017,289)
	– due from customers	(447,817,062)	(137,252,169)
	– other assets	(130,609,635)	(145,206,281)
3.	**Cash flow from/(used for) financial liabilities**	**2,535,499,139**	**386,974,657**
	– due to banks: on demand	(3,119,823)	6,817,232
	– due to banks: other	(288,643,679)	2,059,854,500
	– due to customers	2,901,878,024	(1,430,958,418)
	– debt securities in issue	–	–
	– financial liabilities held for trading	–	–
	– financial liabilities designated at fair value	–	–
	– other liabilities	(74,615,383)	(248,738,657)
Net cash flow from/(used for) operating activities		**(615,800,607)**	**(1,128,753,456)**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**1,196,000,003**	**1,206,000,000**
	– disposal of investments	–	–
	– dividends received on investments	–	–
	– disposal of held-to-maturity financial assets	1,196,000,003	1,206,000,000
	– disposal of property, plant and equipment	–	–
	– disposal of intangible assets	–	–
	– disposal of business division	–	–
2.	**Cash flow used for**	**–**	**(102,651,274)**
	– acquisition of investments	–	–
	– acquisition of held-to-maturity financial assets	–	(102,651,274)
	– acquisition of property, plant and equipment	–	–
	– acquisition of intangible assets	–	–
	– acquisition of business division	–	–
Net cash flow from / (used for) investing activities		**1,196,000,003**	**1,103,348,726**
C.	FINANCING ACTIVITIES		
	– issuance/purchase of own shares	–	–
	– issuance/purchase of equity instruments	–	–
	– dividends and other payments	(289,664,565)	(174,030,213)
Net cash flow from / (used for) financing activities		**(289,664,565)**	**(174,030,213)**
NET CASH FLOW GENERATED / (USED) DURING THE YEAR		**290,534,831**	**(199,434,943)**

KEY:

(+) from

(-) used for

Reconciliation

for the year ended 31 December

Item *(€)*	2015	2014
Cash and cash equivalents at beginning of the year	2,878,161,445	3,077,596,388
Net cash flow generated/(used) during the year	290,534,831	(199,434,943)
Cash and cash equivalents: foreign exchange effect	–	–
Cash and cash equivalents at end of the year	**3,168,696,276**	**2,878,161,445**

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 22 March 2016, 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 2015

The following are applicable from 1 January 2015:

- *IFRIC 21 – Levies*, adopted with (EU) Regulation 634/2014. The interpretation provides guidance on how to account for a liability for a levy imposed by a government, when the liability is to be accounted for in accordance with IAS 37.
- *Annual Improvement Cycle to IFRSs 2011 – 2013*, adopted with Regulation (EU) no. 1361/2014 in connection with the annual projects to improve and revise international accounting standards.

The 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
28/2015	Annual improvements cycle 2010-2012	1 Jan 2016
29/2015	Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 Jan 2016
2173/2015	Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
2231/2015	Amendments to IAS 16 and IAS 38 providing Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
2343/2015	Annual improvements cycle 2012 – 2014	1 Jan 2016
2406/2015	Amendments to IAS 1 – Presentation of Financial Statements: Disclosures	1 Jan 2016
2441/2015	Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements	1 Jan 2016

New accounting standards not yet endorsed

IAS/IFRS	Title	Date of publication
IFRS 9	Financial Instruments	24 July 2014
IFRS 14	Regulatory Deferral Accounts	30 Jan 2014
IFRS 15	Revenue from Contracts with Customers	11 Sept 2015
IFRS 16	Leases	13 Jan 2016
Amendments to IFRS 10 – IFRS 12 – IAS 28	Investment Entities – Applying the Exception to Consolidation	18 Dec 2014
Amendments to IFRS 10 – IAS 28	Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture	11 Sept 2014
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	19 Jan 2016
IAS 7	Disclosure Initiative	29 Jan 2016

The potential impact, on BancoPosta RFC's Separate Report, of the accounting standards, amendments and interpretations due to come into effect is currently being examined and assessed.

Section 2 – Basis of preparation

The Separate Report has been prepared in application of Bank of Italy Circular 262 of 22 December 2005 – "Banks' Financial Statements: Layouts and Preparation", as amended, and of art. 2447 *septies*, paragraph 2, of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2015, has been prepared in euros and consists of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The statement of financial position, income statement and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the statement of financial position, income statement and statement of comprehensive income for the sake of completeness. The statement of cash flows has been prepared using the indirect method[104]. All figures in the notes are stated in millions of euros. Notes and account analysis have not been included for nil balances.

Certain reclassifications have been made in the financial statements and notes to assure the consistency of comparatives with the figures for 2015.

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.

Section 3 – Events after the end of the reporting period

No material events occurred after the end of the reporting period for this Separate Report for the year ended 31 December 2015.

(104) 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.

Section 4 – Other information

4.1 Intersegment transactions

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions") are recognised in the statement of financial position at 31 December 2015 as shown below:

	(€m)	At 31 December 2015	*of which intersegment*	At 31 December 2014	*of which intersegment*
	Assets				
10.	Cash and cash equivalents	3,169	–	2,878	–
40.	Available-for-sale financial assets	32,597	–	28,807	–
50.	Held-to-maturity financial assets	12,886	–	14,100	–
60.	Due from banks	1,303	–	917	–
70.	Due from customers	8,931	*580*	8,494	*66*
80.	Hedging derivatives	328	–	49	–
130.	Tax assets	130	–	230	–
150.	Other assets	1,626	–	1,495	–
	A Total assets	**60,970**	**580**	**56,970**	**66**
	Liabilities and equity				
10.	Due to banks	5,259	–	5,551	–
20.	Due to customers	45,469	*93*	42,567	*222*
60.	Hedging derivatives	1,547	–	1,720	–
80.	Tax liabilities	1,051	–	924	–
100.	Other liabilities	2,199	*189*	1,973	*308*
110.	Employee termination benefits	19	–	20	–
120.	Provisions for risks and charges	384	–	358	–
130.	Valuation reserves	2,506	–	1,618	–
160.	Reserves	1,949	–	1,799	–
200.	Profit/(Loss) for the year (+/-)	587	–	440	–
	B Total liabilities and equity	**60,970**	**282**	**56,970**	**530**
	A-B Net intersegment balances		**298**		**(464)**

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by specific *General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane* (the "General Guidelines"), the latest version of which was approved by Poste Italiane SpA's Board of Directors on 27 May 2015. In implementation of *BancoPosta RFC's Regulation*, these General Guidelines identify the services in question and determine the manner in which they are remunerated. The general policies and instructions contained in the General Guidelines in relation to transfer pricing are detailed in specific Operating Guidelines, jointly developed by BancoPosta and other Poste Italiane SpA functions. The Operating Guidelines establish, among other things, levels of service and the related transfer prices, and become effective, in accordance with the General Guidelines, following an authorisation process involving the relevant functions, the Chief Executive Officer and, when provided for, Poste Italiane SpA's Board of Directors. When BancoPosta intends to contract out a major operating process or a control procedure, whether in its entirety or in part, to Poste Italiane SpA in accordance with specific Operating Guidelines, it must give prior notice to the Bank of Italy. In accordance with Bank of Italy Circular 285 issued on 17 December 2013, Part Four, Chapter 1 BancoPosta, Section II, paragraph 2, the Board of Statutory Auditors is required to verify, at least every six months, that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

The services are charged for in the form of transfer prices, which were revised in 2015. In this regard, the transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In this case, an appropriate mark-up, determined with reference to those used by comparable peers, is applied. The resulting transfer prices are reviewed annually.

For the purposes of oversight of the unbundled accounts, in 2015 the Board of Statutory Auditors conducted the relevant audit activities during 6 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2015.

4.2 Relations with the authorities

AGCM (The Antitrust Authority)

On 9 March 2015, the Authority notified Poste Italiane SpA of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. Specifically, the Authority claimed that, in advertising campaigns in February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer the advertised returns were associated with. On 3 April 2015, replies to the requests for information received at the start of investigation were sent to the Authority and, on 23 April 2015, the first set of commitments was submitted. On 12 May 2015, following a hearing held at the Authority's offices, the proposed commitments were revised and added to and a second set of commitments was submitted. On 12 June 2015, the Authority notified its rejection of the proposed set of commitments and its intention to ascertain whether any violation had occurred. On 3 July 2015, the Authority notified its intention to extend the investigation to include Cassa Depositi e Prestiti SpA. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which, pursuant to articles 20, 21 and 22 of the Consumer Code, it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate.

Bank of Italy

Further steps were taken to reinforce the processes and procedures designed to prevent money laundering and the financing of terrorism, as part of a structured compliance programme that will involve the progressive release of IT components and procedures. In particular, work has continued on the process for acquiring the information needed for "adequate checks" and on the implementation of operating procedures to support compliance with the obligation to refuse to carry out transactions and to return funds, in cases where it is impossible to conduct adequate checks. In addition, the rollout of the new IT platform to help in the process of flagging potentially suspect transactions was completed and, in order to make active cooperation more effective, an organisational procedure was introduced with the aim of improving and speeding up the procedures involved in reporting suspect transactions to Italy's Financial Intelligence Unit (*UIF*).

During 2015, three violations of anti-money laundering legislation by BancoPosta RFC were notified to Poste Italiane SpA. BancoPosta RFC sent related defence briefs to the Ministry of the Economy and Finance regarding each of the notified cases. Overall, at 31 December 2015, there are 26 pending proceedings at the Ministry of the Economy and Finance, including 24 for failure to report suspect transactions and 2 in relation to violations of the rules governing limits on the use of cash and bearer instruments.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of the Consolidated Law on Finance. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. BancoPosta RFC is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures as part of a specific project. Progress is on track and was reported on in a detailed note sent to the CONSOB 4 June 2015. As part of the above inspection, the CONSOB also launched a penalty procedure that was completed on 26 August 2015, with notification of the Company, as jointly and severally liable party, of the ruling that has fined certain representatives of the Company a total amount of €60 thousand for violation of art. 21 of the Consolidated Law on Finance.

A.2 – PART RELATING TO PRINCIPAL FINANCIAL STATEMENT ITEMS

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

1 – Financial assets held for trading

a) recognition

Financial assets held for trading are initially recognised on the settlement date for debt and equity securities, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Any changes in fair value occurring between the trade and settlement dates are recognised in the Separate Report.

b) classification

This category includes debt and equity instruments acquired primarily to obtain a short-term profit as the result of changes in their prices and the positive value of derivative contracts unless designated as hedging instruments.

c) measurement and recognition of gains and losses

Financial assets held for trading are recognised at fair value with any changes in fair value recognised in profit or loss in line item 80 – Profits/(Losses) on trading. Derivatives are accounted for either as assets or liabilities depending on whether their fair value is positive or negative.

d) derecognition

Financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or when the financial asset is sold and all risks and rewards relating to the financial asset are substantially transferred.

2 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) recognition

Available-for-sale financial assets are initially recognised on the settlement date at fair value which is generally the price paid. Any changes in fair value occurring between the trade and settlement dates are recognised in the Separate Report. If, exceptionally, recognition is the result of the reclassification of Held-to-maturity assets, recognition is at fair value at the time of the reclassification. Any difference in the initial amount at which debt securities are recognised and the amount of repayments is amortised over the term of the security.

b) classification

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not attributable to any of the other categories described in paragraphs 1, 3 and 4.

c) measurement

Available-for-sale financial assets are recognised at fair value and any resulting fair value gains or losses are recognised in an equity reserve. This reserve is only recycled to profit or loss when the financial asset is effectively disposed of (or settled) or, in the event of accumulated losses, when there is evidence that the impairment recognised in equity cannot be recovered. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after the impairment loss was recognised in profit or loss, the value of the financial instrument is reinstated and the reversal recognised in profit or loss.. The recognition of returns on debt securities under the amortised cost method[105] takes place through profit or loss, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific equity reserve.

d) derecognition

Available-for-sale financial assets are derecognised when the contractual rights to the cash flows of those financial assets cease or on the disposal of the financial asset and substantially all risks and rewards relating to the financial asset are transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

3 – HELD-TO-MATURITY FINANCIAL ASSETS

a) recognition

Held-to-maturity financial assets are initially recognised on settlement date. They are initially recognised at fair value which is generally the price paid. When recognition in this category arises in connection with the reclassification of available-for-sale financial assets, the fair value of the asset at the date of reclassification is deemed to be the asset's amortised cost.

b) classification

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and maturities that BancoPosta RFC has a positive intention and ability to hold to maturity.

(105) The amortised cost of a financial asset or liability is the amount at which the asset or liability is initially recognised less any repayments of principal, plus or minus accumulated amortisation, in application of the effective interest rate method, of all differences between the amount initially recognised and the amount repayable on maturity less any impairment due to insolvency or any other reason. The effective interest rate is the rate that exactly discounts contractual (or expected) future cash payments or receipts over the expected life of the asset or liability to its initial carrying amount. Calculation of amortised cost must also include external costs and income directly attributable to the asset or liability on initial recognition.

c) measurement and recognition of gains and losses

Held-to-maturity financial assets are measured at amortised cost using the effective interest rate method adjusted for any impairments. Any gains or losses are recognised in profit or loss in line item 10 – Interest and similar income. In the event that there is objective evidence of an impairment, the impairment loss recognised as the amount that would equate the carrying amount to the present value of the projected cash flows. Any impairment loss is then recognised in profit or loss. If, subsequently, the reasons giving rise to the impairment cease to exist, the impairments are reversed to reinstate the amortised cost that would have been the carrying amount if there had been no impairment.

d) derecognition

Held-to-maturity financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

4 – LOANS AND RECEIVABLES

a) classification and recognition

Loans and advances are non-derivative, unlisted financial instruments largely consisting of deposits at the Ministry of the Economy and Finance (the MEF) which are expected to generate income of fixed amounts or which can be determined. Receivables relate to operations and are trade in nature. Loans and advances are recognised on settlement whereas receivables are recognised on the relevant invoice date.

b) measurement and recognition of gains and losses

Receivables, loans and advances are carried at amortised cost determined using the effective interest rate method adjusted for any impairment. Impairments are recognised as described in the note on held-to-maturity financial assets.

c) derecognition

Receivables, loans and advances are derecognised when the contractual rights to the cash flows of those financial assets lapse or on disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred.

6 – HEDGES

a) recognition and classification

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedge:

- fair value hedges reduce or eliminate exposure to risk that could potentially cause movements in the fair value of a recognised balance sheet item;
- cash flow hedges reduce or eliminate exposures to fluctuations in future cash flows attributable to specific risks associated with recognised balance sheet items.

b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and throughout the term of the hedge.

- *Fair value hedge*[106]

  When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in line item 90 – Fair value adjustments in hedge accounting.

- *Cash flow hedge*[107]

  The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (Cash flow hedge reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as, the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line item 90 – Fair value adjustments in hedge accounting. If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassifiedin line item 80 – Profits/(Losses) on trading, for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

11 – CURRENT AND DEFERRED 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.

(106) 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.

(107) 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.

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 are allocated to BancoPosta RFC using the standard unbundling techniques for the regulatory books of the mandatory Universal Postal Service, as examined by Poste Italiane SpA's independent auditors as part of the statutory audit.

Tax assets and liabilities presented in the Separate Report will be settled directly through the intercompany account with Poste Italiane SpA, which is the entity officially assessed to taxes.

12 – PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability. In those rare cases, in which disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC's position in a dispute or in ongoing negotiations with third parties, BancoPosta RFC exercises the option granted by the relevant accounting standards to provide limited disclosure.

13 – DUE TO BANKS, DUE TO CUSTOMERS AND DEBT SECURITIES IN ISSUE

a) recognition and classification

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. Due to banks and customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost employing the effective interest rate method. The carrying amounts of payables are restated in the event of a change in projected cash flows which can be reliably estimated. The restated carrying amount is that present value of projected cash flows discounted at the original internal rate of return.

c) derecognition

Financial liabilities are derecognised when repaid or in the event that BancoPosta RFC transfers all liabilities and charges associated with the relevant instrument.

14 – FINANCIAL LIABILITIES HELD FOR TRADING

a) classification and recognition

Financial liabilities held for trading consist either of derivatives which do not qualify for classification as hedging instruments in accordance with accounting standards or originally obtained as a hedge which was subsequently discontinued. Financial liabilities held for trading are recognised on the derivative contract date.

b) measurement

Financial liabilities held for trading are carried at fair value though profit or loss.

c) derecognition

Financial liabilities held for trading are derecognised on the cessation of rights to the cash flows associated with the liability.

d) recognition of gains and losses

Gains and losses arising from movements in the fair value of financial liabilities held for trading are recognised in profit or loss in line item 80– Profits/(Losses) on trading.

16 – FOREIGN CURRENCY TRANSACTIONS

a) recognition

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

b) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:

- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate;
- non-monetary items designated at fair value at closing exchange rates.

Foreign exchange differences realised on settlement or translation differences arising from the use of exchange rates other than the rate used to translate the item on initial recognition are recognised in profit or loss in line item 80 – Profits/(Losses) on trading.

17 – OTHER INFORMATION

Revenue recognition

Revenue is recognised at the fair value of the consideration received, net of rebates and discounts, and in accordance with the accruals basis of accounting. Specifically:

- interest is evenly accrued over time at the contractual rate of interest or, for items carried at amortised cost, the effective interest rate;
- dividends are recognised when the right to receive payment is established, which generally corresponds with approval of the distribution by the shareholders of the investee company;
- service fee income is recognised in accordance with the underlying contracts in the period in which the services are rendered. Fees, less associated costs, are recognised on a percentage of completion basis to the extent that there is reasonable certainty that they will be paid. Fees on activities carried out in favour of or on behalf of the state and Public Administration entities are 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;
- returns on the portion of current account deposits deposited with the MEF are determined on an accruals basis, using the effective interest rate method, and classified in item 10 – Interest and similar income;
- 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.

Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and those entities, including joint ventures, controlled by the MEF, and associates of such entities. Related parties also include Poste Italiane SpA's key management personnel. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

Employee benefits

Short-term benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

Post-employment benefits

There are two types of post-employment benefit: defined contribution and defined benefit plans.

Since, for defined benefit plans, the amount of benefits payable can only be determined subsequent to the cessation of employment, the related cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19.

Under defined contribution plans, contributions payable are recognised in profit or loss when incurred, based on the nominal value.

Defined benefit plans

Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code. Benefits vesting up to 31 December 2006[108], which are covered by the reform of supplementary pension provision, must, from 1 January 2007, be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly the BancoPosta RFC's defined benefit liability is applicable only to the provisions made up to 31 December 2006.

The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The termination of employment (TFR) liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. As the BancoPosta RFC is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

Defined contribution plans

Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

Termination benefits

Termination benefits payable to employees are recognised as a liability when the entity decides to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employment benefits

Other long-term employment 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.

Share-based payments

In connection with the Initial Public Offering 2015, the Parent Company allotted two lots of 50 shares each to all Group employees. Buyers of those two lots who hold the shares for twelve months starting from the payment date (27 October 2015) will receive at the end of said period, whether they are still employed or not at the end of the period, a bonus share for every ten held (i.e. one share more than that which will be given to non-employees who hold their shares for twelve months). The bonus share will be assigned directly by the MEF.

(108) Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Company has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

In accordance with IFRS 2 – *Share-Based Payments*, the entity to which the employee belongs recognises the transaction by offsetting the increase in share capital with the recognition of a cost, regardless of whether these shares are assigned by it or by its direct or indirect parent. Consequently, given that it is not necessary to be in the Group's employ at the end of the period in question to receive the bonus share, the total cost incurred, determined on the basis of actuarial calculations, was recognised on the subscription date, was not spread over the holding period and will not be recalculated during such period.

Classification of the costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence, which include a portion of the fees paid included in the transfer prices charged in accordance with the operating guidelines for Poste Italiane's commercial network, are normally recognised on line 150 b) – Other administrative expenses.

Use of estimates

Preparation of the Separate Report requires the application of accounting standards and methods that are at times based on complex subjective judgments and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements, with reference to the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows and the notes. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.

This section provides a description of accounting treatments 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 BancoPosta RFC's Separate Report.

Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

Fair value of unquoted financial instruments

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers or on internal valuation techniques which estimate the transaction price on the measurement date in an arm's length exchange motivated by normal business considerations. The valuation models are primarily based on market variables, considering where possible, the prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk. Further details on the techniques used to measure the fair value of unquoted financial instruments are contained in Part A, Section A.4.1.

Impairments/recoveries of loans and receivables

BancoPosta RFC is prohibited by Presidential Decree 144 of 14 March 2001 from making loans to customers. Impairments and recoveries of loans and receivables, consequently, relate exclusively to unpaid trade receivables. Impairments and reversals are made with reference to assessments of credit risk based on historical experience of similar receivables, an analysis of past due items (current and historical), losses and collections and the monitoring of the current and future economic conditions in the related markets.

Provisions for risks and charges

Provisions for risks and charges represent probable liabilities in connection with personnel, customers, suppliers, third parties and, in general, liabilities deriving from present obligations. 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 this Separate Report.

A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

There have been no transfers between portfolios.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level.

In compliance with IFRS 13 – *Fair Value Measurement,* as endorsed by EU Regulation 1255/2012 of 11 December 2012, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to (unadjusted) prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the valuation of which is based on the bid prices quoted on the MTS (wholesale electronic market for government securities). Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premia, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

For BancoPosta RFC, these include the following types of financial instrument:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or not at all: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Unquoted equities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process involved in aligning the value of the unquoted shares to be measured with that of the quoted ones.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valuation is based on discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measure using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.

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

- Buy and Sell Back agreements used for the short-term investment of liquidity: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows. Buy and Sell Back agreements may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty credit risk.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed.

A.4.2 Processes and sensitivity of measurements

BancoPosta RFC holds specific equity instruments for which there are no directly or indirectly observable market prices. Reference should be made to the specific disclosures provided in Part B, Section 4, Assets.

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 the additional disclosures 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 measured at fair value on a recurring basis by fair value level

Financial assets/Liabilities at fair value *(€m)*	At 31 December 2015			At 31 December 2014		
	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	30,648	1,838	111	28,602	205	–
4. Hedging derivatives	–	328	–	–	49	–
5. Property, plant and equipment	–	–	–	–	–	–
6. Intangible assets	–	–	–	–	–	–
Total	**30,648**	**2,166**	**111**	**28,602**	**254**	**–**
1. Financial liabilities held for trading	–	–	–	–	–	–
2. Financial liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	1,547	–	–	1,720	–
Total	**–**	**1,547**	**–**	**–**	**1,720**	**–**

(*) Notes on this position are provided in Part B, Assets, Table 4.1.

The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for the counterparty's credit risk (Part A, Section A.4.1).

A.4.5.2 Movements during the year in assets measured at fair value on a recurring basis (Level 3)

(€m)	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	**–**	**–**	**–**	**–**	**–**	**–**
2. Purchases	**–**	**–**	**111**	**–**	**–**	**–**
2.1. Purchases	–	–	–	–	–	–
2.2. Profit recognition:	–	–	111	–	–	–
2.2.1. Profit or loss	–	–	–	–	–	–
– of which gains	–	–	–	–	–	–
2.2.2. Equity	x	x	111	–	–	–
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	**–**	**–**	**111**	**–**	**–**	**–**

A.4.5.3 Movements during the year in liabilities measured at fair value on a recurring basis (Level 3)

Nil.

A.4.5.4 Assets and liabilities not designated at fair value or not measured at fair value on a recurring basis by fair value level

Assets/Liabilities not designated at fair value or not measured at fair value on a recurring basis by fair value level (€m)	Balance at 31 December 2015				Balance at 31 December 2014			
	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	12,886	15,057	–	–	14,100	16,263	–	–
2. Due from banks	1,303	–	417	886	917	–	–	917
3. Due from customers	8,931	–	–	8,931	8,494	–	–	8,494
4. Property, plant and equipment held for investment purposes	–	–	–	–	–	–	–	–
5. Non-current assets (or disposal groups) held for sale	–	–	–	–	–	–	–	–
Total	**23,120**	**15,057**	**417**	**9,817**	**23,511**	**16,263**	**–**	**9,411**
1. Due to banks	5,259	–	4,949	364	5,551	–	5,254	320
2. Due to customers	45,469	–	–	45,469	42,567	–	409	42,159
3. Debt securities in issue	–	–	–	–	–	–	–	–
4. Liabilities included in non-current assets held for sale and discontinued operations	–	–	–	–	–	–	–	–
Total	**50,728**	**–**	**4,949**	**45,833**	**48,118**	**–**	**5,663**	**42,479**

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

IAS 39 requires financial instruments to be initially recognised at fair value, which is equal to the "transaction price". The fair value of financial instruments not designated at fair value through profit or loss at the date of recognition normally coincides with the transaction price (the amount collected or paid). In the case of financial instruments designated at fair value through profit or loss and classifiable in level 3 (fair value determined with reference to unobservable inputs), any difference between the fair value and the transaction price generates a so-called "day one profit/loss". This difference is recognised in profit or loss if it arises from changes in the factors on which market participants base their considerations in setting prices (including time). This form of profit or loss is not applicable to BancoPosta RFC.

PART B – INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: analysis

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
a) Cash	2,953	2,760
b) Central bank deposits	216	118
Total	**3,169**	**2,878**

The sub-item "Cash" is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash includes banknotes totalling €8 million.

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 2015 or 31 December 2014.

During the year under review, a number of repurchase agreements with a nominal value of €108 million were entered into and settled, with the purpose of converting the return, for 2015, on public customers' current account deposits deposited with the MEF from a variable to a fixed rate.

BancoPosta RFC also entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers. Profits or losses on such transactions are reported in Part C, Table 4.1.

2.2 Financial assets held for trading: by borrower/issuer

Nil.

Section 3 – Financial assets designated at fair value – Item 30

No financial assets are held in portfolio designated at fair value through profit or loss (the "fair value option").

Section 4 – Available-for-sale financial assets – Item 40

4.1 Available-for-sale financial assets: analysis

Transaction Type/Amounts *(€m)*	Balance at 31 December 2015			Balance at 31 December 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**30,648**	**1,767**	**–**	**28,602**	**149**	**–**
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	30,648	1,767	–	28,602	149	–
2. Equity instruments	**–**	**71**	**111**	**–**	**56**	**–**
2.1 At fair value	–	71	111	–	56	–
2.2 At cost	–	–	–	–	–	–
3. UCIs	**–**	**–**	**–**	**–**	**–**	**–**
4. Loans	**–**	**–**	**–**	**–**	**–**	**–**
Total	**30,648**	**1,838**	**111**	**28,602**	**205**	**–**

Debt securities carried at fair value total €32,415 million (€302 million of which being accrued interest). At 31 December 2015, securities with a nominal value of €497 million and a fair value of €544 million are encumbered, as they have been delivered to counterparties for use as collateral in connection with repurchase agreements.

Equity instruments comprise:

- €68 million relating to the fair value of 756,280 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;
- €3 million 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;
- €111 million relating to the fair value of an ordinary share in Visa Europe Ltd, previously allocated to Poste Italiane SpA at the time of the company's incorporation and, at that time, accounted for at a nominal value of €10.00. At 31 December 2015, the fair value of the investment has been adjusted to take into account the likely impact of the acquisition and merger of Visa Europe Ltd with the US-registered company, Visa Incorporated. As announced on 21 December 2015, Visa Europe has informed its Principal Members that each of them will be paid a consideration and, at that date, the amount due to Poste Italiane at transaction closing, expected by the end of June 2016 – subject to clearance from the relevant authorities – was estimated by the investee to be €111 million, including €83 million in cash and €28 million in Visa Inc. stock (Convertible Participating Preferred Stock) convertible into class A shares within 12 years of the closing.

4.2 Available-for-sale financial assets: by borrower/issuer

Transaction Type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
1. Debt securities	**32,415**	**28,751**
a) Governments and Central Banks	30,915	28,751
b) Other public entities	–	–
c) Banks	–	–
d) Other issuers	1,500	–
2. Equity instruments	**182**	**56**
a) Banks	–	–
b) Other issuers	182	56
– insurance companies	–	–
– finance companies	182	56
– non-finance companies	–	–
– other	–	–
3. UCIs	**–**	**–**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public entities	–	–
c) Banks	–	–
d) Other entities	–	–
Total	**32,597**	**28,807**

Securities issued by other issuers with a fair value of €1,500 million regard two fixed rate securities subscribed on 31 December 2015, having a nominal value of €750 million each. The securities pay six-monthly interest, have terms to maturity of 4 and 5 years, respectively, were issued by Cassa Depositi e Prestiti and are guaranteed by the Italian government.

4.3 Micro-hedged available-for-sale financial assets

Transaction Type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
1. Micro-fair value hedged financial assets	**14,927**	**9,290**
a) Rate risk	14,927	9,290
b) Price risk	–	–
c) Foreign exchange risk	–	–
d) Credit risk	–	–
e) Multiple risks	–	–
2. Micro-cash flow hedged financial assets	**2,177**	**2,103**
a) Rate risk	2,177	2,103
b) Foreign exchange risk	–	–
c) Other	–	–
Total	**17,104**	**11,393**

4.4 Available-for-sale financial assets: movements during the year

(€m)	Debt securities	Equity instruments	UCIs	Loans	Total
A. Opening balance	**28,751**	**56**	**–**	**–**	**28,807**
B. Increases	**9,433**	**126**	**–**	**–**	**9,559**
B.1 Purchases	8,280	–	–	–	8,280
B.2 Increases in fair value	1,088	126	–	–	1,214
B.3 Recoveries	–	–	–	–	–
– through profit or loss	–	–	–	–	–
– through equity	–	–	–	–	–
B.4 Transfers from other portfolios	–	–	–	–	–
B.5 Other increases	65	–	–	–	65
C. Decreases	**(5,769)**	**–**	**–**	**–**	**(5,769)**
C.1 Disposals	(3,413)	–	–	–	(3,413)
C.2 Repayments	(2,143)	–	–	–	(2,143)
C.3 Decreases in fair value	(119)	–	–	–	(119)
C.4 Impairments	–	–	–	–	–
– through profit or loss	–	–	–	–	–
– through equity	–	–	–	–	–
C.5 Transfers to other portfolios	–	–	–	–	–
C.6 Other decreases	(94)	–	–	–	(94)
D. Closing balance	**32,415**	**182**	**–**	**–**	**32,597**

There was a net increase of €969 million in the fair value of debt securities, for which a fair value hedge was not arranged, during the period under review, with a gain of €1,401 million recognised in a separate equity reserve, and a net loss of €432 million on the hedged portion 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

(€m)	Balance at 31 December 2015				Balance at 31 December 2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	**12,886**	**15,057**	**–**	**–**	**14,100**	**16,263**	**–**	**–**
– structured	–	–	–	–	–	–	–	–
– other	12,886	15,057	–	–	14,100	16,263	–	–
2. Loans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

At 31 December 2015, €187 million of the aggregate fair value of the held-to-maturity portfolio was accrued interest.

Securities with a nominal value of €4,993 million are encumbered as follows:

- €4,072 million, carried at an amortised cost of €4,101 million (Part B, Other information, Table 2) and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2015;
- €345 million, carried at an amortised cost of €373 million (Part B, Other information, Table 2) and delivered to counterparties for use as collateral for asset swaps;
- €545 million, carried at an amortised cost of €552 million and delivered to the Bank of Italy as collateral for intraday credit granted;
- €31 million, carried at an amortised cost of €31 million and delivered to the Bank of Italy in relation to the clearing service offered by the central bank for the execution of Sepa Direct Debits.

5.2 Held-to-maturity financial assets: by borrower/issuer

Transaction Type/Amounts *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
1. Debt securities	**12,886**	**14,100**
a) Governments and Central Banks	12,886	14,100
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	**12,886**	**14,100**
Total fair value	**15,057**	**16,263**

5.3 Micro-hedged held – to -maturity financial assets

Nil.

5.4 Held-to-maturity financial assets: movements during the year

(€m)	**Debt securities**	**Loans**	**Total**
A. Opening balance	**14,100**	**–**	**14,100**
B. Increases	**24**	**–**	**24**
B.1 Purchases	–	–	–
B.2 Recoveries	–	–	–
B.3 Transfers from other portfolios	–	–	–
B.4 Other increases	24	–	24
C. Decreases	**(1,238)**	**–**	**(1,238)**
C.1 Disposals	–	–	–
C.2 Repayments	(1,196)	–	(1,196)
C.3 Impairment	–	–	–
C.4 Transfers to other portfolios	–	–	–
C.5 Other decreases	(42)	–	(42)
D. Closing balance	**12,886**	**–**	**12,886**

Section 6 – Due from banks – Item 60

6.1 Due from banks: analysis

Transaction Type/Amounts (€m)	Balance at 31 December 2015				Balance at 31 December 2014			
	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	**–**				**–**			
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	–	x	x	x	–	x	x	x
B. Due from banks	**1,303**				**917**			
1. Loans	1,303				917			
1.1 Current accounts and demand deposits	3	x	x	x	6	x	x	x
1.2 Time deposits	–	x	x	x	–	x	x	x
1.3 Other loans:	1,300	x	x	x	911	x	x	x
– Reverse repurchase agreements	417	x	x	x	–	x	x	x
– Finance leases	–	x	x	x	–	x	x	x
– Other	883	x	x	x	911	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	**1,303**	**–**	**417**	**886**	**917**	**–**	**–**	**917**

The sub-item, “Other loans, Other” includes cash collateral held by counterparties for asset swaps (pursuant to Credit Support Annexes) entered into for cash flow and fair value hedging purposes by BancoPosta RFC.

Section 7 – Due from customers – Item 70

7.1 Due from customers: analysis

Transaction type/Amounts *(€m)*	Balance at 31 December 2015						Balance at 31 December 2014					
	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	**8,931**	**–**	**–**				**8,494**	**–**	**–**			
1. Current accounts	10	–	–	X	X	X	12	–	–	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	8,921	–	–	X	X	X	8,482	–	–	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	**8,931**	**–**	**–**	**–**	**–**	**8,931**	**8,494**	**–**	**–**	**–**	**–**	**8,494**

The sub-item, “Other transactions”, primarily consists of:

- €5,871 million, €16 million of which being accrued interest, in public customers’ current account deposits deposited with the MEF, which earn a variable rate of return, calculated on a basket of government securities(109); during 2015, BancoPosta RFC entered into derivative contracts to convert part of the return on the longer-term component of such deposits to fixed rate; the purpose of the transaction was to stabilise the return on this component, for 2015, through a series of repurchase agreements of 7-year BTPs, without delivery of the underlying securities at maturity but with settlement of the difference between the forward price of the securities and their market value;
- €390 million, €1 million of which being accrued interest, in deposits at the MEF (the “Buffer account”), remunerated at the EONIA rate(110);
- a deposit of €1,331 million held with the Italian Treasury at the MEF, relating to the following:
  - net advances of €1,693 million, being deposits received and any excess liquidity, less advances from the MEF to meet cash requirements;
  - the net amount payable in relation to postal savings, totalling €170 million, being the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2015 consists of €215 million payable to Cassa Depositi e Prestiti, less €45 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf;
  - payables in connection with thefts of €158 million. This is the 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 €34 million for operational risks, relating to advances from the MEF for transactions for which there were insufficient funds;

(109) The rate in question is calculated as follows: 50% is based on the return on 6 month BOTs, with the remaining 50% based on the monthly average Rendistato index. The latter represents the average yield on government securities with maturities greater than 2 years, which approximates the return on 7-year BTPs.

(110) The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).

- €397 million in fees and commissions receivable from Cassa Depositi e Prestiti during the year in connection with postal savings, which under the agreement signed on 4 December 2014 are invoiced on a quarterly basis;
- €578 million in amounts receivable from Poste Italiane SpA's functions outside the ring-fence, €577 million of which relates to Poste Italiane SpA's Finance function's intersegment account, used for the processing of payments to and from third parties.

7.2 Due from customers: by borrower/issuer

Transaction type/Amounts (€m)	Balance at 31 December 2015			Balance at 31 December 2014		
	Performing	Non-performing		Performing	Non-performing	
		Assets purchased	Other		Assets purchased	Other
1. Debt securities	**–**	**–**	**–**	**–**	**–**	**–**
a) Governments	–	–	–	–	–	–
b) Other public entities	–	–	–	–	–	–
c) Other issuers	–	–	–	–	–	–
– non-finance companies	–	–	–	–	–	–
– finance companies	–	–	–	–	–	–
– insurance companies	–	–	–	–	–	–
– other	–	–	–	–	–	–
2. Loans to:	**8,931**	**–**	**–**	**8,494**	**–**	**–**
a) Governments	7,637	–	–	7,206	–	–
b) Other public entities	60	–	–	142	–	–
c) Other entities	1,234	–	–	1,146	–	–
– non-finance companies	607	–	–	100	–	–
– finance companies	477	–	–	947	–	–
– insurance companies	140	–	–	87	–	–
– other	10	–	–	12	–	–
Total	**8,931**	**–**	**–**	**8,494**	**–**	**–**

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives by type of hedge and level

(€m)	Fair value at 31 December 2015			Notional amount at 31 December 2015	Fair value at 31 December 2014			Notional amount at 31 December 20154
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**–**	**328**	**–**	**4,010**	**–**	**49**	**–**	**625**
1) Fair Value	–	281	–	3,635	–	–	–	–
2) Cash flow	–	47	–	375	–	49	–	625
3) Net foreign investments	–	–	–	–	–	–	–	–
B. Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1) Fair Value	–	–	–	–	–	–	–	–
2) Cash flow	–	–	–	–	–	–	–	–
Total	**–**	**328**	**–**	**4,010**	**–**	**49**	**–**	**625**

8.2 Hedging derivatives by hedged portfolio and type of hedge

Transaction type/Amount (€m)	Fair value						Cash flow		Net foreign investment
	Micro					Macro	Micro	Macro	
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	281	–	–	–	–	x	47	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	**281**	**–**	**–**	**–**	**–**	**–**	**47**	**–**	**–**
1. Financial liabilities	–	–	–	x	–	x	–	x	x
2. Portfolio	x	x	x	x	x	–	x	–	x
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Expected transactions	x	x	x	x	x	x	–	x	x
2. Portfolio of financial assets and financial liabilities	x	x	x	x	x	–	x	–	–

Section 9 – Adjustments for changes in hedged financial assets portfolio – Item 90

No macro-hedges have been arranged at the reporting date.

Section 10 – Investments – Item 100

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

Section 11 – Property, plant and equipment – Item 110

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

Section 12 – Intangible assets – Item 120

There are no intangible assets.

Section 13 – Tax assets and liabilities – Assets Item 130 and Liabilities Item 80

Movements in current tax assets and liabilities are shown below:

Description (€m)	Current taxes for the year ended 31 December 2015			Current taxes for the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)		Assets/ (Liabilities)	Assets/ (Liabilities)	
Opening balance	**(61)**	**6**	**(55)**	**(41)**	**(7)**	**(48)**
Payments of	236	13	249	138	103	241
prepayments for the current year	163	13	176	90	97	187
balance payable for previous year	73	–	73	48	6	54
Collection of IRES refund claimed	(12)	–	(12)	–	–	–
Provisions to profit or loss for	(240)	(30)	(270)	(163)	(90)	(253)
current tax expense	(240)	(31)	(271)	(168)	(91)	(259)
adjustments to prior period taxes	–	1	1	5	1	6
Provisions to equity	–	–	–	–	–	–
Other(*)	4	–	4	5	–	5
Closing balance	**(73)**	**(11)**	**(84)**	**(61)**	**6**	**(55)**
of which:						
Current tax assets	–	–	–	12	6	18
Current tax liabilities	(73)	(11)	(84)	(73)	–	(73)

(*) Primarily tax withholdings on fee income.

Deferred tax assets and liabilities are analysed below:

13.1 Deferred tax assets: analysis

Description (€m)	Financial assets and liabilities		Hedging derivatives		Employee termination benefits		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	–	–	–	–	–	–	23	–	63	12	86	12
Deferred tax assets through equity	3	–	24	5	–	–	–	–	–	–	27	5
2015 total	**3**	**–**	**24**	**5**	**–**	**–**	**23**	**–**	**63**	**12**	**113**	**17**
Deferred tax assets through profit or loss	–	–	–	–	–	–	22	–	66	11	88	11
Deferred tax assets through equity	67	11	30	5	–	–	–	–	–	–	97	16
2014 total	**67**	**11**	**30**	**5**	**–**	**–**	**22**	**–**	**66**	**11**	**185**	**27**

13.2 Deferred tax liabilities: analysis

Description (€m)	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax liabilities through profit or loss	–	–	–	–	–	–
Deferred tax liabilities through equity	786	149	27	5	813	154
2015 total	**786**	**149**	**27**	**5**	**813**	**154**
Deferred tax liabilities through profit or loss	–	–	–	–	–	–
Deferred tax liabilities through equity	682	112	49	8	731	120
2014 total	**682**	**112**	**49**	**8**	**731**	**120**

13.3 Movements in deferred tax assets through profit or loss

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
1. Opening balance	**99**	**98**
2. Increases	**6**	**1**
2.1 Deferred tax assets recognised in the year	6	1
a) relating to previous years	–	–
b) due to changes in accounting policies	–	–
c) write-backs	–	–
d) other	6	1
2.2 New taxes or tax rate increases	–	–
2.3 Other increases	–	–
3. Decreases	**(7)**	**–**
3.1 Deferred tax assets derecognised in the year	–	–
a) reversals	–	–
b) write-downs of non-recoverable items	–	–
c) due to changes in accounting policies	–	–
d) other	–	–
3.2 Reduction of tax rate	(7)	–
3.3 Other decreases:	–	–
a) transformation into tax credit pursuant to Law 214/2011	–	–
b) other	–	–
4. Closing balance	**98**	**99**

13.4 Movements in deferred tax liabilities through profit or loss

Nil.

13.5 Movements in deferred tax assets through equity

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
1. Opening balance	**113**	**161**
2. Increases	**11**	**25**
2.1 Deferred tax assets derecognised in the year	11	25
a) relating to previous years	–	–
b) due to changes in accounting policies	–	–
c) other	11	25
2.2 New taxes or tax rate increases	–	–
2.3 Other increases	–	–
3. Decreases	**(92)**	**(73)**
3.1 Deferred tax assets derecognised in the year	(88)	(73)
a) reversals	(11)	(19)
b) write-downs of non-recoverable items	–	–
c) due to changes in accounting policies	–	–
d) other	(77)	(54)
3.2 Reduction of tax rate	(4)	–
3.3 Other decreases	–	–
4. Closing balance	**32**	**113**

13.6 Movements in deferred tax liabilities through equity

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
1. Opening balance	**(851)**	**(378)**
2. Increases	**(394)**	**(577)**
2.1 Deferred tax liabilities recognised in the year	(393)	(577)
a) relating to previous years	–	–
b) due to changes in accounting policies	–	–
c) other	(393)	(577)
2.2 New taxes or tax rate increases	(1)	–
2.3 Other increases	–	–
3. Decreases	**278**	**104**
3.1 Deferred tax liabilities derecognised in the year	161	104
a) reversals	149	97
b) due to changes in accounting policies	–	–
c) other	12	7
3.2 Reduction of tax rate	117	–
3.3 Other decreases	–	–
4. Closing balance	**(967)**	**(851)**

The net charge or credit to profit or loss due to movements in deferred tax assets and liabilities through equity is the tax effect on reserves described in Part D.

13.7 Other information

Nil.

Section 14 – Non-current assets (or disposal groups) held for sale/discontinued operations and related liabilities – Assets Item 140 and Liabilities Item 90

There are no disposal groups/discontinued operations at the reporting date.

Section 15 – Other assets – Item 150

15.1 Other assets: analysis

Transaction type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Tax assets other than those included in item 130	326	380
Items in process	281	267
– items in transit between local branches	8	11
– other	273	256
Current account cheques being settled, drawn on other banks	85	69
Other items	934	779
Total	**1,626**	**1,495**

Tax receivables primarily relate to tax payments on account, €290 million of which for virtual stamp duty payable in 2016 and €23 million for withholding tax on interest paid to current account holders for 2015.

"Items in process, other" includes:

- customer postal cheques of €80 million in collection from banks;
- uses of debit cards issued by BancoPosta to be debited to customer accounts, totalling €64 million;
- €41 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- amounts due from commercial partners for providing PostePay top-ups (€25 million) and processing payments slips, totalling €17 million, to be credited to beneficiaries;
- unsettled debit card payments made at post offices, totalling €20 million;
- account maintenance and custody fees of €5 million to be debited to customers.

"Other items" include:

- €716 million in stamp duty accrued to 31 December 2015 payable by holders of outstanding Interest-bearing Postal Certificates[111]. An equal amount has been recognised in "Other liabilities" as tax payables (Part B, Liabilities, Table 10.1) until expiration or early extinguishment of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €163 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law;
- amounts in the process of recovery, totalling €18 million, which are not available since the related amounts have been seized and have not yet been assigned to creditors of Poste Italiane SpA's functions outside the ring-fence. Any losses on realisation of collateral are for the account of Poste Italiane SpA's functions outside the ring-fence.

(111) Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementing paragraphs 1 to 3 of article 19 of Decree Law 201 of 6 December 2011 having regard to stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: analysis

Transaction type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
1. Due to Central Banks	**–**	**–**
2. Due to banks	**5,259**	**5,551**
2.1 Current accounts and demand deposits	283	286
2.2 Time deposits	–	–
2.3 Loans	4,895	5,231
2.3.1 Repurchase agreements	4,895	5,231
2.3.2 Other	–	–
2.4 Obligations to repurchase equity instruments	–	–
2.5 Other payables	81	34
Total	**5,259**	**5,551**
Fair value – level 1	–	–
Fair value – level 2	4,949	5,254
Fair value – level 3	364	320
Total fair value	**5,313**	**5,574**

At 31 December 2015, €4,895 million is due to banks under the terms of repurchase agreements involving securities with a total nominal value of €4,569 million. These regard:

- €4,111 million (€9 million of which being accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed income government securities of a matching nominal amount;
- €784 million relating to ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, in order to optimise the match between investments and short-term movements in current account deposits by private customers.

Repurchase agreements are classified as fair value Level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are consequently classified as Level 3.

BancoPosta RFC has uncommitted overnight lines of credit amounting to €1,118 million and overdraft arrangements of €81 million provided by Poste Italiane SpA, both undrawn at 31 December 31 December 2015. From 2014, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €545 million and the facility is unused at 31 December 2015.

Section 2 – Due to customers – Item 20

2.1 Due to customers: analysis

Transaction type/Amounts (€m)	Balance at 31 December 2015	Balance at 31 December 2014
1. Current accounts and demand deposits	43,093	40,012
2. Time deposits	384	645
3. Loans	14	477
3.1 Repurchase agreements	–	409
3.2 Other	14	68
4. Obligations to repurchase equity instruments	–	–
5. Other payables	1,978	1,433
Total	**45,469**	**42,567**
Fair value – level 1	–	–
Fair value – level 2	–	409
Fair value – level 3	45,469	42,158
Total fair value	**45,469**	**42,567**

“Current accounts and demand deposits” include €79 million in postal current accounts held by Poste Italiane SpA outside the ring-fence.

“Loans, Other” refers to an amount due to Poste Italiane SpA’s functions outside the ring-fence in connection with the creation of BancoPosta RFC.

“Other payables” primarily consist of €1,438 million in prepaid PostePay card balances payable to customers and domestic postal orders, amounting to €396 million.

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 2015 or 31 December 2014.

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

(€m)		Fair Value at 31 December 2015			Notional amount at 31 December 2015	Fair Value at 31 December 2014			Notional amount at 31 December 2014
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A.	**Financial derivatives**	**–**	**1,547**	**–**	**9,445**	**–**	**1,720**	**–**	**8,370**
1)	Fair value	–	1,474	–	8,120	–	1,672	–	7,295
2)	Cash flow	–	73	–	1,325	–	48	–	1,075
3)	Net foreign investments	–	–	–	–	–	–	–	–
B.	**Credit derivatives**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1)	Fair value	–	–	–	–	–	–	–	–
2)	Cash flow	–	–	–	–	–	–	–	–
Total		**–**	**1,547**	**–**	**9,445**	**–**	**1,720**	**–**	**8,370**

6.2 Hedging derivatives by hedged portfolio and type of hedge

Transaction type/Type of hedge (€m)	Fair Value						Cash flow		Net foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	1,474	–	–	–	–	x	73	x	x
2. Loans	–	–	–	x	–	x	–	x	x
3. Held-to-maturity financial assets	x	–	–	x	–	x	–	x	x
4. Portfolio	x	x	x	x	x	–	x	–	x
5. Other transactions	–	–	–	–	–	x	–	x	–
Total assets	**1,474**	**–**	**–**	**–**	**–**	**–**	**73**	**–**	**–**
1. Financial liabilities	–	–	–	x	–	x	–	x	x
2. Portfolio	x	x	x	x	x	–	x	–	x
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Expected transactions	x	x	x	x	x	x	–	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	–	x	–	–

Section 7 – Adjustments for changes in hedged financial liabilities portfolio – Item 70

No macro-hedges have been arranged at the reporting date.

Section 8 – Tax liabilities – Item 80

Please refer to Assets, Section 13.

Section 9 – Liabilities included in non-current assets held for sale and discontinued operations – Item 90

There are no such liabilities at the reporting date.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: analysis

Transaction type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
Tax liabilities other than those included in item 80	881	734
Items in process:	872	653
– amounts to be credited to Postal Savings Books	508	333
– items in transit between local branches	4	7
– other	360	313
Amounts due to Poste Italiane SpA outside the ring-fence for services rendered	187	306
Amounts due to customers	73	94
Trade payables	65	70
Due to employees	19	17
Accrued expenses and deferred income	14	11
Other items	87	88
Total	**2,198**	**1,973**

"Tax liabilities other than those included in Item 80" primarily include:

- €716 million in stamp duty accrued to 31 December 2015 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 15.1;
- €106 million regarding taxes and road tax payable to collection agents, the tax authorities and regional authorities for payments made by customers;
- €7 million in tax withholdings on current account interest earned by customers.

"Items in process, other" includes, among other things, domestic and international bank transfers, totalling €136 million, amounts received from the MEF to fund the payment of "fuel bonuses" to qualifying customers, totalling €89 million, and unpaid postal cheques of €46 million.

"Other items" relate to prior year balances currently being verified.

Section 11 – Employee termination benefits – Item 110

Movements in employee termination benefits during the year under review are shown below:

11.1 Employee termination benefits: movements during the year

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
A. Opening balance	**20**	**18**
B. Increases	**1**	**3**
B.1 Provisions for year	–	–
B.2 Other increases	1	3
C. Decreases	**(2)**	**(1)**
C.1 Benefits paid	(1)	(1)
C.2 Other decreases	(1)	–
D. Closing balance	**19**	**20**

"Other increases" were the result of transfers from Poste Italiane SpA or other Group companies, totalling €1 million. 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.

Uses of provisions to pay benefits include the substitute tax withheld.

Other decreases were caused by transfers to certain Group companies and actuarial gains of €1 million recognised as a contra-entry in equity (Part D).

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2015 and 2014:

Key economic and financial assumptions

	At 31 December 2015	At 30 June 2015	At 31 December 2014
Discount rate	2.03%	2.06%	1.49%
Inflation rate	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 on	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on
Annual rate of increase of employee termination benefits	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 on	1.950% for 2015 2.400% for 2016 2.625% for 2017 and 2018 3.000% from 2019 on	1.950% for 2015 2.400% for 2016 2.625% for 2017 and 2018 3.000% from 2019 on

Demographic assumptions

	At 31 December 2015
Mortality	RG48
Disability	INPS tables by age and sex
Pensionable age	Attainment of legal requirements for retirement

Actuarial gains/(losses)

(€m)	At 31 December 2015	At 31 December 2014
Change in demographic assumptions	–	–
Change in financial assumptions	(1)	2
Other experience-related adjustments	–	–
Total	**(1)**	**2**

Sensitivity analysis

(€m)	Employee termination benefits at 31 December 2015	Employee termination benefits at 31 December 2014
Inflation rate +0.25%	19	21
Inflation rate -0.25%	19	20
Discount rate +0.25%	19	20
Discount rate -0.25%	20	21
Turnover rate +0.25%	19	20
Turnover rate -0.25%	19	20

Other information

	At 31 December 2015	At 31 December 2014
Service Cost	–	–
Average duration of defined benefit plan	10,6	10,5
Average employee turnover	0,41%	0,64%

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: analysis

Transaction type/Amounts *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
1. Provisions for retirement benefits	–	–
2. Other provisions	384	358
2.1 litigation	83	73
2.2 personnel expenses	1	1
2.3 other	300	284
Total	**384**	**358**

The composition of "Other provisions" is provided in Table 12.4, below.

12.2 Provisions for risks and charges: movements during the year

(€m)	Provisions for retirement benefits	Other provisions	Total
A. Opening balance	**–**	**358**	**358**
B. Increases	**–**	**72**	**72**
B.1 Provisions for the year	–	71	71
B.2 Increases due to passage of time	–	1	1
B.3 Increases due to changed discount rates	–	–	–
B.4 Other increases	–	–	–
C. Decreases	**–**	**(46)**	**(46)**
C.1 Uses during the year	–	(39)	(39)
C.2 Decreases due to changed discount rates	–	–	–
C.3 Other decreases	–	(7)	(7)
D. Closing balance	**–**	**384**	**384**

"B.1 Provisions for the year" includes personnel expenses of €5 million. Other decreases relate to transfers to the income statement during the year as a result of the derecognition of prior year liabilities, including a part of the provisions for personnel expenses.

12.3 Company defined benefit pension plan

Nil.

12.4 Provisions for risks and charges – other provisions

Description (€m)	Balance at 31 December 2015	Balance at 31 December 2014
Litigation	**83**	**73**
Provisions for disputes with third parties	83	73
Provisions for disputes with staff	–	–
Provisions for personnel expenses	**1**	**1**
Other provisions	**300**	**284**
Provision for non-recurring charges	286	270
Provisions for expired and statute barred Postal Certificates	14	14
Total	**384**	**358**

Provisions for disputes with third parties regard expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and compensation payable to customers.

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various type.

Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour.

Provisions for non-recurring charges relate to operational risks attributable to BancoPosta RFC. They regard, among other things, the liabilities arising from the reconstruction of operating ledger entries at the time of Poste Italiane SpA's incorporation, liabilities deriving from the provision of delegated services for social security agencies, fraud, violations of administrative regulations, compensation and adjustments to income for previous years, 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, and estimated risks for charges and expenses to be incurred in connection with seizures effected by BancoPosta as garnishee-defendant.

Provisions for expired and statute barred Postal Certificates held by BancoPosta have been made to cover the cost of redeeming certificates relating to specific issues, the value of which was recognised in revenue in Poste Italian SpA's profit or loss in the years in which the certificates became invalid. The provisions were made in response to the Company's decision to redeem such certificates even if expired and statute barred. At 31 December 2015, the provisions represent the present value of total liabilities, based on a nominal value of €21 million, expected to be progressively paid off by 2043.

Section 13 – Redeemable shares – Item 140

Not applicable.

Section 14 – Equity – Items 130, 150, 160, 170, 180, 190 and 200

14.1 Capital and treasury shares: analysis

Nil.

14.2 Capital – Number of shares: movements during the year

Nil.

14.3 Capital – Other information

Nil.

14.4 Revenue reserves: other information

At 31 December 2015, undistributed earnings total €949 million. Other revenue reserves include the initial reserve of €1 billion provided to BancoPosta RFC on its creation.

Other information

1. Guarantees and commitments

Guarantees/Commitments *(€m)*	Balance at 31 December 2015	Balance at 31 December 2014
1) Financial guarantees issued	**–**	**–**
a) Banks	–	–
b) Customers	–	–
2) Trade guarantees issued	**–**	**–**
a) Banks	–	–
b) Customers	–	–
3) Irrevocable commitments to disburse funds	**–**	**–**
a) Banks	–	–
i) certain disbursement	–	–
ii) uncertain disbursement	–	–
b) Customers	–	–
i) certain disbursement	–	–
ii) uncertain disbursement	–	–
4) Commitments underlying credit derivatives: protection sales	**–**	**–**
5) Assets pledged as collateral for third party commitments	**–**	**–**
6) Other commitments	**400**	**129**
Total	**400**	**129**

"Other commitments" relate to the nominal value of securities to be delivered under repurchase agreements, accounted for in "Available-for-sale financial assets" at a fair value of €415 million.

2. Assets pledged as collateral for liabilities and commitments

Portafolio (€m)	Balance at 31 December 2015	Balance at 31 December 2014
1. Financial assets held for trading	–	–
2. Financial assets designated at fair value	–	–
3. Available-for-sale financial assets	544	–
4. Held-to-maturity financial assets	4,474	6,062
5. Due from banks	–	–
6. Due from customers	–	–
7. Property, plant and equipment	–	–

"Held-to-maturity financial assets", carried at amortised cost, relate to securities provided as collateral to counterparties of negative fair value hedging asset swaps and repos.

3. Information on operating leases

Nil.

4. Brokerage and management on behalf of third parties

Service (€m)	Amount
1. Execution of orders on behalf of customers	**–**
a) purchase	–
1. settled	–
2. not settled	–
b) sale	–
1. settled	–
2. not settled	–
2. Portfolio management	**–**
a) individual	–
b) collective	–
3. Custody and administration of securities	**45,032**
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	5,992
1. securities issued by the reporting bank	–
2. other securities	5,992
c) third-party securities deposited with third parties	5,992
d) own securities deposited with third parties	39,040
4. Other transactions	**243,320**
a) Postal Savings Books	118,476
b) Interest-bearing Postal Certificates	124,844

The "Custody and administration of third-party securities deposited with third parties" relates to customers' securities held at primary market operators and, to a much lesser extent, securities held has collateral. Except for securities held as collateral, orders received from customers are executed by qualified, designated credit institutions.

"Other transactions" include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

5. Financial assets offset in the financial statements or subject to framework netting arrangements or similar agreements

Technical form *(€m)*	Amount of gross financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2015 (f=c-d-e)	Net amount at 31 December 2014
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	328	–	**328**	255	73	–	–
2. Repurchase agreements	417	–	**417**	417	–	–	–
3. Securities lending	–	–	**–**	–	–	–	–
4. Other	–	–	**–**	–	–	–	–
Total at 31 December 2015	**745**	**–**	**745**	**672**	**73**	**–**	**x**
Total at 31 December 2014	**49**	**–**	**49**	**49**	**–**	**x**	**–**

6. Financial liabilities offset in the financial statements or subject to framework netting arrangements or similar agreements

Technical form *(€m)*	Amount of gross financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Amount of net financial liabilities reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2015 (f=c-d-e)	Net amount at 31 December 2014
				Financial instruments (d)	Cash collateral given (e)		
1. Derivatives	1,547	–	**1,547**	677	850	20	44
2. Repurchase agreements	4,895	–	**4,895**	4,894	–	1	–
3. Securities lending	–	–	**–**	–	–	–	–
4. Other	–	–	**–**	–	–	–	–
Total at 31 December 2015	**6,442**	**–**	**6,442**	**5,571**	**850**	**21**	**x**
Total at 31 December 2014	**7,359**	**–**	**7,359**	**6,429**	**886**	**x**	**44**

BancoPosta RFC is not a party to enforceable master netting arrangements or similar agreements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements. The above tables have been compiled in accordance with IFRS 7 – *Financial Instruments: Disclosure,* which requires a specific disclosure regardless of whether or not the financial instruments have been offset.

7. Securities lending

Nil.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: analysis

Asset/Technical form (€m)	Debt securities	Loans	Other transactions	For the year ended 31 December 2015	For the year ended 31 December 2014
1. Financial assets held for trading	1	–	–	1	–
2. Available-for-sale financial assets	930	–	–	930	913
3. Held-to-maturity financial assets	573	–	–	573	632
4. Due from banks	–	–	–	–	1
5. Due from customers	–	36	–	36	75
6. Financial assets designated at fair value	–	–	–	–	–
7. Hedging derivatives	x	x	4	4	41
8. Other assets	x	x	1	1	–
Total	**1,504**	**36**	**5**	**1,545**	**1,662**

The sub-item, "Other assets, Other transactions" includes accrued interest for the year receivable from Poste Italiane SpA.

1.2 Interest and similar income: hedge differentials

Differential (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
A. Positive hedge differentials	35	54
B. Negative hedge differentials	(31)	(13)
C. Net (A-B)	**4**	**41**

1.3 Interest and similar income: other information

Nil.

1.4 Interest and similar expense: analysis

Liability/Technical form *(€m)*	Debts	Securities	Other transactions	For the year ended 31 December 2015	For the year ended 31 December 2014
1. Due to Central Banks	–	x	–	–	–
2. Due to banks	(22)	x	–	(22)	(23)
3. Due to customers	(31)	x	–	(31)	(100)
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	(2)	(2)	–
8. Hedging derivatives	x	x	–	–	–
Total	**(53)**	**–**	**(2)**	**(55)**	**(123)**

The sub-item, "Other liabilities and provisions – Other transactions" includes interest payable to Poste Italiane SpA's functions outside the ring-fence, totalling €1 million.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: analysis

Service/Amounts (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
a) Guarantees issued	–	–
b) Credit derivatives	–	–
c) Management, brokerage and advisory services:	2,210	2,173
1. Financial instrument trading	–	–
2. FX trading	1	1
3. Portfolio management:	–	–
3.1 Individual	–	–
3.2 Collective	–	–
4. Securities custody and administration	8	12
5. Depository banking	–	–
6. Securities placements	22	22
7. Order receipt and transmission	4	5
8. Advisory services:	–	–
8.1 Relating to investments	–	–
8.2 Relating to financial structuring	–	–
9. Arrangement of third-party services:	2,175	2,133
9.1 Portfolio management:	–	–
9.1.1 Individual	–	–
9.1.2 Collective	–	–
9.2 Insurance products	418	361
9.3 Other products	1,757	1,772
d) Collection and payment services	1,080	1,129
e) Securitisation servicing	–	–
f) Factoring services	–	–
g) Tax collection	–	–
h) Multilateral trading services	–	–
i) Current account maintenance and management	239	252
j) Other services	9	7
Total	**3,538**	**3,561**

"Management, brokerage and advisory services" include, within the context of the distribution of other products, fees receivable in return for the collection of postal savings deposits. This service relates to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books, carried out on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.

2.2 Fee and commission income by product and service distribution channel

Channel/Amounts (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
A. Own counters:	**2,197**	**2,155**
1. Portfolio management	–	–
2. Securities placements	22	22
3. Third-party products and services	2,175	2,133
B. Door-to-door:	**–**	**–**
1. Portfolio management	–	–
2. Securities placements	–	–
3. Third-party products and services	–	–
C. Other distribution channels:	**–**	**–**
1. Portfolio management	–	–
2. Securities placements	–	–
3. Third-party products and services	–	–

"Own counters" means Poste Italiane SpA's post office network.

2.3 Fee and commission expense: analysis

Service/Amounts (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
a) Guarantees received	–	–
b) Credit derivatives	–	–
c) Management and brokerage services:	(2)	(1)
1. Financial instrument trading	–	–
2. FX trading	–	–
3. Portfolio management:	–	–
3.1 Own	–	–
3.2 For third parties	–	–
4. Securities custody and administration	(1)	(1)
5. Financial instrument placements	(1)	(1)
6. Door-to-door marketing of financial instruments, products and services	–	–
d) Collection and payment services	(51)	(45)
e) Other services	(2)	(3)
Total	**(55)**	**(49)**

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

During the year, BancoPosta RFC received dividends on its shares in Mastercard Incorporated and Visa Incorporated, accounted for in "Available-for-sale financial assets".

Section 4 – Profits/(Losses) on trading – Item 80

4.1 Profits/(Losses) on trading: analysis

Asset-Liability/Profit component *(€m)*	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net income/ (loss) [(A+B) – (C+D)]
1. Financial assets held for trading	**–**	**4**	**–**	**(1)**	**3**
1.1 Debt securities	–	–	–	(1)	(1)
1.2 Equity instruments	–	–	–	–	–
1.3 UCIs	–	–	–	–	–
1.4 Loans	–	–	–	–	–
1.5 Other	–	4	–	–	4
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**	**1**
4. Derivative instruments	**1**	**4**	**–**	**–**	**5**
4.1 Financial derivatives:	1	4	–	–	5
– on debt securities and interest rates	1	4	–	–	5
– on equity instruments and share indices	–	–	–	–	–
– on foreign exchange and gold	x	x	x	x	–
– other	–	–	–	–	–
4.2 Credit derivatives	–	–	–	–	–
Total	**1**	**8**	**–**	**(1)**	**9**

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: analysis

Profit component/Amounts *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
A. Income on:		
A.1 Fair value hedge derivatives	469	–
A.2 Hedged financial assets (fair value)	36	1,328
A.3 Hedged financial liabilities (fair value)	–	–
A.4 Cash flow hedge derivatives	–	–
A.5 Foreign currency assets and liabilities	–	–
Gross hedging income (A)	**505**	**1,328**
B. Cost of:		
B.1 Fair value hedge derivatives	(37)	(1,329)
B.2 Hedged financial assets (fair value)	(468)	–
B.3 Hedged financial liabilities (fair value)	–	–
B.4 Cash flow hedge derivatives	–	–
B.5 Foreign currency assets and liabilities	–	–
Gross hedging cost (B)	**(505)**	**(1,329)**
C. Net hedging income (A – B)	**–**	**(1)**

Section 6 – Profits/(Losses) on disposal or repurchase – Item 100

6.1 Profits/(Losses) on disposal or repurchase: analysis

Asset-Liability/Profit component *(€m)*	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Profit	Loss	Net profit	Profit	Loss	Net profit
Financial assets						
1. Due from banks	–	–	–	–	–	–
2. Due from customers	–	–	–	–	–	–
3. Available-for-sale financial assets	426	–	426	385	(4)	381
3.1 Debt securities	426	–	426	385	(4)	381
3.2 Equity instruments	–	–	–	–	–	–
3.3 UCIs	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Held-to-maturity financial assets	–	–	–	–	–	–
Total assets	**426**	**–**	**426**	**385**	**(4)**	**381**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Debt securities in issue	–	–	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**

Section 7 – Profits/(Losses) on financial assets and liabilities designated at fair value – Item 110

Not applicable.

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 Net losses/recoveries on impairment of loans and advances: analysis

Asset-Liability/Profit component *(€m)*		Impairment losses			Recoveries				For the year ended 31 December 2015	For the year ended 31 December 2014
		Specific		Collective	Specific		Collective			
		Write-off	Other		Interest	Other	Interest	Other		
A.	**Due from banks**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	– Loans	–	–	–	–	–	–	–	–	–
	– Debt securities	–	–	–	–	–	–	–	–	–
B.	**Due from customers**	**–**	**–**	**(12)**	**–**	**–**	**–**	**1**	**(11)**	**–**
	Non-performing loans purchased	–	–	–	–	–	–	–	–	–
	– Loans	–	–	–	–	–	–	–	–	–
	– Debt securities	–	–	–	–	–	–	–	–	–
	Other amounts owing	–	–	(12)	–	–	–	1	(11)	–
	– Loans	–	–	(12)	–	–	–	1	(11)	–
	– Debt securities	–	–	–	–	–	–	–	–	–
C.	**Total**	**–**	**–**	**(12)**	**–**	**–**	**–**	**1**	**(11)**	**–**

Section 9 – Administrative expenses – Item 150

9.1 Personnel expenses: analysis

Expense/Amounts (€m)	For the year ended 31 December 2015	For the year ended 31 December 2014
1) Employees	**(95)**	**(91)**
a) wages and salaries	(67)	(64)
b) social security	(17)	(16)
c) employee termination benefits	(4)	(4)
d) social security costs	–	–
e) provision for employee termination benefits	–	(1)
f) provisions for post- employment benefits:	–	–
– defined contribution plans	–	–
– defined benefit plans	–	–
g) payments to external supplementary pension funds:	(1)	(1)
– defined contribution plans	(1)	(1)
– defined benefit plans	–	–
h) cost of share-based payments	–	–
i) other employee benefits	(6)	(5)
2) Other active personnel	**–**	**–**
3) Directors and Statutory Auditors	**–**	**–**
4) Retirees	**–**	**–**
5) Recovery of employment costs of staff seconded to other companies	**–**	**–**
6) Refund of costs of third party employees seconded to the company	**–**	**–**
Total	**(95)**	**(91)**

9.2 Average number of employees by category(*)

	For the year ended 31 December 2015	For the year ended 31 December 2014
Employees	**1,845**	**1,824**
a) executives	52	47
b) middle managers	450	438
c) other employees	1,343	1,339
Other employees	**–**	**–**
Total	**1,845**	**1,824**

(*) Figures expressed in Full Time Equivalent terms.

9.3 Post-employment defined benefit plans: costs and revenues

Nil.

9.4 Other employee benefits

This primarily relates to redundancy payments.

9.5 Other administrative expenses: analysis

Expense/Amounts *(€m)*	For the year ended 31 December 2015	For the year ended 31 December 2014
1) Cost of services provided by Poste Italiane SpA:	(4,251)	(4,500)
– commercial services	(3,898)	(4,083)
– support services	(299)	(363)
– staff services	(54)	(54)
2) Cost of goods and non-professional services:	(41)	(52)
– printing and postage	(31)	(43)
– credit and debit card supply services	(10)	(9)
3) Advisory and other professional services	(51)	(47)
4) Taxes, penalties and duties	(5)	(3)
5) Other expenses	–	–
Total	**(4,348)**	**(4,602)**

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 *(€m)*	Provisions	Reversals	Net provision
Provisions for litigation	(17)	2	(15)
Provisions for risks and charges	(49)	4	(45)
Total	**(66)**	**6**	**(60)**

Provisions for risks and charges during the year primarily regard liabilities for the risks linked to claims from customers relating to erroneous invalidations or instruments and investment products, administrative violations and risks relating to delegated services. Releases to profit or loss, amounting to €4 million, relate to liabilities recognised in the past that failed to materialise.

Section 11 – Net losses/recoveries on property, plant and equipment – Item 170

Non 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 *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
1. Burglaries and theft	(6)	(6)
2. Other charges	(34)	(25)
Total	**(40)**	**(31)**

"Other charges" relates primarily to post office operating losses.

13.2 Other operating income: analysis

Profit component/Amounts *(€m)*	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
1. Statute barred money orders	–	6
2. Other operating income	3	6
Total	**3**	**12**

Section 14 – Profits/(Losses) on investments – Item 210

Not applicable.

Section 15 – Profits/(Losses) on fair value measurement 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 (€m)		For the year ended 31 December 2015	For the year ended 31 December 2014
1.	Current taxes (-)	(271)	(259)
2.	Increase/(decrease) in current taxes of prior period taxation (+/-)	1	6
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 (+/-)	(1)	1
5.	Increase/(decrease) in deferred tax liabilities (+/-)	–	–
6.	**Taxation for year (-) (-1+/-2+3+/-4+/-5)**	**(271)**	**(252)**

18.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description (€m)	For the year ended 31 December 2015		For the year ended 31 December 2014	
	IRES	% rate	IRES	% rate
Income before tax	*858*		*691*	
Theoretical tax charge	236	27.5%	190	27.5%
Effect of increases/(decreases) on theoretical tax charge				
Adjustments for change in IRES tax rate introduced by 2016 Stability Law	8	0.9%	–	0.0%
Non-recurring (income)/expense for taxes charged to profit or loss	3	0.3%	–	0.0%
Net provisions for risks and charges and impairments of receivables	4	0.5%	3	0.4%
Taxation for previous years	–	0.0%	(5)	-0.7%
Deduction of IRAP paid on personnel expenses, Law Decree 201/2011	–	0.0%	(24)	-3.5%
Other	(9)	-1.0%	(2)	-0.3%
Effective tax charge	**242**	**28.2%**	**162**	**23.4%**

Art. 1, paragraph 61 of the 2016 Stability Law (208/2015) has reduced the IRES tax rate from 27.5% to 24% with effect from periods of assessment commencing after 31 December 2016 (from 1 January 2017). For this reason, at 31 December 2015, a net non-recurring expense of €8 million has been charged to profit or loss and net non-recurring income of €114 million has been recognised in equity. This reflects adjustments to deferred tax assets and liabilities recoverable or payable after 2016 in order to reflect the new IRES tax rate.

Description *(€m)*	For the year ended 31 December 2015		For the year ended 31 December 2014	
	IRAP	% rate	IRAP	% rate
Income before tax	*858*		*691*	
Theoretical tax charge	39	4.6%	31	4.5%
Non-recurring (income)/expense for taxes charged to profit or loss	(10)	-1.2%	–	0.0%
Personnel expenses	–	0.0%	55	8.0%
Other	–	0.0%	4	0.5%
Effective tax charge	**29**	**3.4%**	**90**	**13.0%**

Net non-recurring income for IRES and IRAP charged to profit or loss, totalling €7 million, regards the change in the regulations introduced by the 2015 Stability Law (190/2014), which permits the deductibility of personnel expenses for staff employed on permanent contracts from the IRAP tax base.

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 *(€m)*	Gross amount	Tax on income	Net amount
10. Profit/(Loss) for the year	**X**	**X**	**587**
Other components of comprehensive income not reclassified to profit or loss			
20. Property, plant and equipment	**–**	**–**	**–**
30. Intangible assets	**–**	**–**	**–**
40. Defined benefit plans	**1**	**–**	**1**
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:	**(59)**	**19**	**(40)**
a) changes in fair value	12	(4)	8
b) reversal to profit or loss	(71)	23	(48)
c) other movements	–	–	–
100. Available-for-sale financial assets:	**1,143**	**(216)**	**927**
a) changes in fair value	1,526	(451)	1,075
b) reversal to profit or loss	(383)	123	(260)
– impairments	–	–	–
– realised gains/(losses)	(383)	123	(260)
c) other movements	–	112	112
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	**1,085**	**(197)**	**888**
140. Comprehensive income (Items 10+130)	**X**	**X**	**1,475**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Background

BancoPosta's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds deposited by private account holders in postal current accounts are invested in euro zone government securities(112), with the option of investing up to 50% of the deposits in securities guaranteed by the Italian government(113), whilst deposits by Public Administration entities are deposited with the MEF. In 2015, 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 on Italian government securities, which benefitted from the launch of the ECB's Quantitative Easing programme in 2015, have resulted in an increase of unrealised gains on securities carried in the financial statements, some of which recognised as realised gains in profit or loss.

The investment profile is based, among other things, on the constant monitoring of habits of current account holders and a use of a leading market operator's statistical/econometric model of typical postal current account interest rates and maturities. The above mentioned model is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate risk and liquidity risks.

Financial risk management

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks. In this regard, Poste Italiane SpA's Board of Directors has adopted regulations containing integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System (Guidelines for Internal Control and Risk Management System or "SCIGR"). These guidelines provide a detailed, organic and efficient view of BancoPosta RFC's internal control and risk management system. From an organisational viewpoint, the model consists of:

- the Audit and Risk Committee, established in 2015, which, with regard to BancoPosta's operations, provides support to the Board of Directors in relation to risks and the internal control system, with particular reference to all the activities deemed instrumental and necessary to enable the Board of Directors to correctly and effectively determine the risk appetite framework and risk management policies;
- the Cross-functional Committee, set up under the BancoPosta RFC Regulation and chaired by Poste Italiane SpA's CEO. Other permanent members are the Head of BancoPosta and the heads of the functions within Poste Italiane SpA primarily involved with BancoPosta. The Committee provides advice, makes recommendations and coordinates BancoPosta's operations with those of other Poste Italiane functions;
- the Finance, Savings and Investment Committee, which is responsible for establishing policies governing management of the savings of retail customers, as well as strategies to be applied in managing financial assets. In view of the matters dealt with, the Committee is divided into three sections:
  - Finance, with the role of defining and overseeing the financial strategy;
  - Savings, with the role of establishing guidelines to be applied in the development of savings products;
  - Financial investment strategies, with the role of ensuring effective governance and the greatest possible alignment with strategic decisions regarding the allocation and management of financial assets;

(112) From 1 April 2015, the match between BancoPosta's private customer deposits and the related investments, verified on a quarterly basis, is assessed with reference to the amortised cost computed on the basis of the outright price of the instruments in portfolio. Prior to this, the match was assessed with reference to the nominal value of the instruments in portfolio.

(113) Amendement of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014).

- the Financial Risk Committee, which ensures an integrated view of risk exposure and whose members include the Head of BancoPosta's Risk Management;
- Poste Italiane SpA's Coordination of Investment Management function, the work of which is regulated by specific operating guidelines, and which oversees investment strategy and the hedging of capital market risks in respect of the liquidity deriving from BancoPosta current account deposits, in accordance with the guidelines established by the various corporate bodies;
- BancoPosta's Risk Management unit, responsible for measuring and controlling risk and duly observing the independence of control functions from management. The results of these activities are examined by Poste Italiane SpA's Financial Risk Committee.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta contained in Bank of Italy Circular 285 of 17 December 2013.

The prudential standards require BancoPosta to establish a system of internal controls in line with the provisions of the 15th revision of Circular 263 of 27 December 2006, which, among other things, requires achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function.

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

Section 1 – Credit risk

Credit risk refers to counterparty, credit and concentration risks, as explained below.

Credit risk relates to the possibility that a change in a borrower's credit rating could result in a loss, i.e., the risk that a debtor comes into full or partial breach of its repayment obligations for principal and interest.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

Qualitative information

1. Generalities

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 area government securities (or those guaranteed by the government) in which private customer account deposits are invested;
- deposits at the MEF in which Public Administration account deposits are invested;
- amounts due from the Italian Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in process: cheque clearing, use of electronic cards, collections;
- temporarily overdrawn post office current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2016;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (CSA – Credit Support Annexes and GMRA – Global Master Repurchase Agreements);
- securities provided as collateral in accordance with agreements intended to mitigate counterparty risk (CSAs and GMRAs);
- trade receivables payable for financial/insurance product arrangement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

2.2 Management, measurement and control systems

Credit risk is controlled through the following:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The above limits for BancoPosta RFC are set out in Poste Italiane SpA's guidelines for financial transactions, which also contain rating limits that only permit dealings with investment grade counterparties, whilst concentration limits are applied as required by prudential regulations for banks[114].

(114) According to the prudential requirements, weighted risk exposure must at all times be below 25% of own funds. Exposures are normally equal to an asset's nominal value adjusting for any credit risk mitigation. Lower risk borrowers are assigned lower risk weightings.

The standard method[115], as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. The method entails the use of Standard & Poor's, Moody's and Fitch for the computation of counterparty credit rating classes.

The following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:

- the "Market Value" method[116] is used for asset swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method[117], are used for repurchase transactions.

Concentration risk is measured using the method described in EU Regulation 575/2013.

2.3 Credit risk mitigation techniques

In order to limit the counterparty risk's exposure, partly for the purposes of prudential supervisory standards, BancoPosta RFC has concluded standard ISDA master agreements and special agreements for the mitigation of risk for repo transactions (GMRAs) and OTC derivatives (CSAs). More specifically, the agreements provide for the netting of asset and liability positions and the posting of cash or government securities as collateral.

2.4 Impaired financial assets

There were no impaired financial assets on BancoPosta RFC's books at 31 December 2015.

(115) 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.

(116) The "Market Value" method to measure the risk inherent in derivatives entails summing two components: the current 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. .

(117) The full CRM method entails reducing risk exposure by the value of guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.

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 *(€m)*	Doubtful loans	Unlikely to pay	Non-performing past-due	Performing past-due	Other performing exposures	Total
1. Available-for-sale financial assets	–	–	–	–	32,415	32,415
2. Held-to-maturity financial assets	–	–	–	–	12,886	12,886
3. Due from banks	–	–	–	–	1,303	1,303
4. Due from customers	–	–	–	–	8,931	8,931
5. Financial assets designated at fair value	–	–	–	–	–	–
6. Financial assets held for sale	–	–	–	–	–	–
Total at 31 December 2015	**–**	**–**	**–**	**–**	**55,535**	**55,535**
Total at 31 December 2014	**–**	**–**	**–**	**–**	**52,262**	**52,262**

A.1.2 Distribution of gross and net credit exposure by portfolio and credit quality

Portfolio/Credit quality *(€m)*	Non-performing			Performing			Total (net exposure)
	Gross exposure	Specific provisions	Net exposure	Gross exposure	Collective provisions	Net exposure	
1. Available-for-sale financial assets	–	–	–	32,415	–	32,415	32,415
2. Held-to-maturity financial assets	–	–	–	12,886	–	12,886	12,886
3. Due from banks	–	–	–	1,303	–	1,303	1,303
4. Due from customers	–	–	–	9,088	157	8,931	8,931
5. Financial assets designated at fair value	–	–	–	X	X	–	–
6. Financial assets held for sale	–	–	–	–	–	–	–
Total at 31 December 2015	**–**	**–**	**–**	**55,692**	**157**	**55,535**	**55,535**
Total at 31 December 2014	**–**	**–**	**–**	**52,408**	**146**	**52,262**	**52,262**

Portfolio/Credit quality *(€m)*	Assets of evidently low credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	–	–	–	–
2. Hedging derivatives	–	–	–	328
Total at 31 December 2015	**–**	**–**	**–**	**328**
Total at 31 December 2014	**–**	**–**	**–**	**49**

A.1.3 On and off-balance sheet credit exposure to banks: gross and net amounts and past-due categories

Type of exposure/Amounts (€m)	Gross exposure					Specific provisions	Collective provisions	Net exposure
	Non-performing				Performing			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. On-balance sheet exposures								
a) Doubtful loans	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
b) Unlikely to pay	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
c) Non-performing past-due exposures	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
d) Performing past-due exposures	X	X	X	X	–	X	–	–
– of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other performing exposures	X	X	X	X	1,303	X	–	1,303
– of which: forborne exposures	X	X	X	X	–	X	–	–
TOTAL A	**–**	**–**	**–**	**–**	**1,303**	**–**	**–**	**1,303**
B. Off-balance sheet exposures								
a) Non-performing	–	–	–	–	X	–	X	–
b) Performing	X	X	X	X	799	X	–	799
TOTAL B	**–**	**–**	**–**	**–**	**799**	**–**	**–**	**799**
TOTAL A+B	**–**	**–**	**–**	**–**	**2,102**	**–**	**–**	**2,102**

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with securities provided as collateral under counterparty risk mitigation agreements and for Repo financing with Securities Financing Transactions (SFT)[118] margins.

A.1.4/ A.1.5 On-balance sheet credit exposure to banks: changes in gross non-performing exposures and in total adjustments

Nil.

(118) As defined in the prudential requirements.

A.1.6 On and off-balance sheet credit exposure to customers: gross and net amounts and past-due categories

Type of exposure/Amounts *(€m)*	Gross exposure					Specific provisions	Collective provisions	Net exposure
	Non-performing				Performing			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. On-balance sheet exposures								
a) Doubtful loans	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
b) Unlikely to pay	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
c) Non-performing past-due exposures	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
d) Performing past-due exposures	X	X	X	X	–	X	–	–
– of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other performing exposures	X	X	X	X	54,389	X	157	54,232
– of which: forborne exposures	X	X	X	X	–	X	–	–
TOTAL A	**–**	**–**	**–**	**–**	**54,389**	**–**	**157**	**54,232**
B. Off-balance sheet exposures								
a) Non-performing	–	–	–	–	X	–	X	–
b) Performing	X	X	X	X	–	X	–	–
TOTAL B	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B	**–**	**–**	**–**	**–**	**54,389**	**–**	**157**	**54,232**

A.1.7/ A.1.8 On-balance sheet credit exposure to customers: changes in gross non-performing exposures and in total adjustments

Nil.

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 classes

Exposure *(€m)*	External rating classes						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet credit exposure	**96**	**978**	**53,724**	**–**	**1**	**–**	**736**	**55,535**
B. Derivatives	**–**	**73**	**–**	**–**	**–**	**–**	**–**	**73**
B.1 Financial derivatives	–	73	–	–	–	–	–	73
B.2 Credit derivatives	–	–	–	–	–	–	–	–
C. Guarantees issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
D. Commitments to disburse funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
E. Other	**105**	**151**	**470**	**–**	**–**	**–**	**–**	**726**
Total	**201**	**1,202**	**54,194**	**–**	**1**	**–**	**736**	**56,334**

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

A.3 Distribution of guaranteed exposures by type of guarantee

BancoPosta RFC has received securities as collateral with a fair value of €10 million as required by the agreements concluded for the mitigation of counterparty risk (GMRAs) as part of the financing in Repos.

A.3.1 Guaranteed credit exposures to banks

(€m)	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Unsecured				
							Other derivatives								
		Mortgages	Finance leases	Securities	Other collateral	CLN	Governments and central banks	Other public entities	Banks	Other counterparties	Governments and central banks	Other public entities	Banks	Other counterparties	
1. Guaranteed on-balance sheet credit exposures:															
1.1 guaranteed in full	417	–	–	417	–	–	–	–	–	–	–	–	–	–	417
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 partially guaranteed	–	–	–	–		–	–	–	–	–	–	–	–	–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Guaranteed off-balance sheet credit exposures:															
2.1 guaranteed in full	73	–	–	–	73	–	–	–	–	–	–	–	–	–	73
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.2 partially guaranteed	–	–	–	–	–	–	–	–	–	–	–	–		–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

A.3.2 Guaranteed credit exposures to customers

(€m)	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
		Mortgages	Finance leases	Securities	Other collateral	Credit derivatives					Unsecured				
						CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other counter-parties	
							Governments and central banks	Other public entities	Banks	Other counter-parties					
1. Guaranteed on-balance sheet credit exposures:															
1.1 guaranteed in full	1,500	–	–	–	–	–	–	–	–	–	1,500	–	–	–	1,500
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 partially guaranteed	–	–	–	–		–	–	–	–	–	–	–	–	–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Guaranteed off-balance sheet credit exposures:															
2.1 guaranteed in full	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.2 partially guaranteed	–	–	–	–	–	–	–	–	–	–	–	–		–	–
– of which non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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 (€m)	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 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.2 Unlikely to pay	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.3 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Performing exposures	51,439	X	10	60	X	3	1,977	X	-	140	X	-	606	X	20	10	X	124
- of which: forborne exposures	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-
TOTAL A	**51,439**	**-**	**10**	**60**	**-**	**3**	**1,977**	**-**	**-**	**140**	**-**	**-**	**606**	**-**	**20**	**10**	**-**	**124**
B. Off-balance sheet exposures																		
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.3 Other non-performing assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Performing exposures	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31 December 2015	**51,439**	**-**	**10**	**60**	**-**	**3**	**1,977**	**-**	**-**	**140**	**-**	**-**	**606**	**-**	**20**	**10**	**-**	**124**
TOTAL (A+B) at 31 December 2014	**50,057**	**-**	**5**	**142**	**-**	**2**	**947**	**-**	**4**	**87**	**-**	**-**	**100**	**-**	**17**	**12**	**-**	**118**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposures/ Geographic area (€m)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures										
A.1 Doubtful loans	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	54,176	157	56	–	–	–	–	–	–	–
TOTAL A	**54,176**	**157**	**56**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures										
B.1 Doubtful loans	–	–	–	–	–	–	–	–	–	–
B.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
B.3 Other non-performing assets	–	–	–	–	–	–	–	–	–	–
B.4 Performing exposures	–	–	–	–	–	–	–	–	–	–
TOTAL B	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2015	**54,176**	**157**	**56**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2014	**51,328**	**146**	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

B.2 Distribution of on and off-balance sheet credit exposures to customers by geographic area and carrying amount

Exposures/ Geographic area (€m)	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures								
A.1 Doubtful loans	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–
A.4 Performing exposures	10	3	1	15	54,161	133	4	6
TOTAL A	**10**	**3**	**1**	**15**	**54,161**	**133**	**4**	**6**
B. Off-balance sheet exposures								
B.1 Doubtful loans	–	–	–	–	–	–	–	–
B.2 Unlikely to pay	–	–	–	–	–	–	–	–
B.3 Other non-performing assets	–	–	–	–	–	–	–	–
B.4 Performing exposures	–	–	–	–	–	–	–	–
TOTAL B	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2015	**10**	**3**	**1**	**15**	**54,161**	**133**	**4**	**6**
TOTAL (A+B) at 31 December 2014	**13**	**2**	**1**	**14**	**51,308**	**124**	**6**	**6**

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

B.3 Distribution of on and off-balance sheet credit exposures to banks by geographic area and carrying amount

Exposures/ Geographic area (€m)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures										
A.1 Doubtful loans	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	534	–	769	–	–	–	–	–	–	–
TOTAL A	**534**	**–**	**769**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures										
B.1 Doubtful loans	–	–	–	–	–	–	–	–	–	–
B.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
B.3 Other non-performing assets	–	–	–	–	–	–	–	–	–	–
B.4 Performing exposures	347	–	452	–	–	–	–	–	–	–
TOTAL B	**347**	**–**	**452**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2015	**881**	**–**	**1,221**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2014	**237**	**–**	**1,443**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

B.3 Distribution of on and off-balance sheet credit exposures to banks by geographic area and carrying amount

Exposures/ Geographic area (€m)	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.	Net expos.	Coll. prov.
A. On-balance sheet exposures								
A.1 Doubtful loans	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–
A.3 Non-performing past-due exposures	–	–	–	–	–	–	–	–
A.4 Performing exposures	78	–	–	–	456	–	–	–
TOTAL A	**78**	**–**	**–**	**–**	**456**	**–**	**–**	**–**
B. Off-balance sheet exposures								
B.1 Doubtful loans	–	–	–	–	–	–	–	–
B.2 Unlikely to pay	–	–	–	–	–	–	–	–
B.3 Other non-performing assets	–	–	–	–	–	–	–	–
B.4 Performing exposures	347	–	–	–	–	–	–	–
TOTAL B	**347**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2015	**425**	**–**	**–**	**–**	**456**	**–**	**–**	**–**
TOTAL (A+B) at 31 December 2014	**233**	**–**	**–**	**–**	**4**	**–**	**–**	**–**

B.4 Large exposures (in compliance with supervisory standards)

In compliance with the supervisory standards in force, the table for "Large exposures" shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 86% of the total carrying amount. The remaining exposures regard primary counterparties represented by European banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposures	
a) Carrying amount (€m)	60,671
b) Weighted amount (€m)	1,243
c) Number	11

C. Securitisations

Nil.

D. Information on unconsolidated structured entities (other than securitisation vehicles)

Nil.

E. Disposal of assets

A. Financial assets sold but not fully derecognised

Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

Quantitative information

E.1 Financial assets sold but not fully derecognised: carrying amount and gross amount

Asset/Portfolio *(€m)*	Financial assets held for trading			Financial assets designated at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	At 31 December 2015	At 31 December 2014
A. On balance sheet assets	**–**	**–**	**–**	**–**	**–**	**–**	**544**	**–**	**–**	**4,101**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,645**	**5,415**
1. Debt securities	–	–	–	–	–	–	544	–	–	4,101	–	–	–	–	–	–	–	–	4,645	5,415
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 2015	**–**	**–**	**–**	**–**	**–**	**–**	**544**	**–**	**–**	**4,101**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,645**	**X**
of which non-performing:	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	X
TOTAL at 31 December 2014	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,415**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**X**	**5,415**
of which non-performing:	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	X	–

Key
A = Full recognition of financial assets sold to third parties (carrying amount)
B = Partial recognition of financial assets sold to third parties (carrying amount)
C = Partial recognition of financial assets sold to third parties (gross amount)

E.2 Financial liabilities matched with assets sold but not derecognised: carrying amount

Liability/ Asset portfolio *(€m)*	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	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) asset fully recognised	–	–	–	–	–	–	–
b) asset partially recognised	–	–	–	–	–	–	–
2. Due to banks	**–**	**–**	**516**	**4,379**	**–**	**–**	**4,895**
a) asset fully recognised	–	–	516	4,379	–	–	4,895
b) asset partially recognised	–	–	–	–	–	–	–
TOTAL at 31 December 2015	**–**	**–**	**516**	**4,379**	**–**	**–**	**4,895**
TOTAL at 31 December 2014	**–**	**–**	**–**	**5,639**	**–**	**–**	**5,639**

Section 2 – Market risk

Market risk relates to:

- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;
- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in market interest rates;
- cash flow inflation rate risk: the risk that the cash flows from a financial instrument will fluctuate because of movements in inflation rates.

2.1 Interest rate and price risks – supervisory trading book

There were no supervisory trading book assets or liabilities at 31 December 2015. Poste Italiane SpA's financial operations guidelines for BancoPosta RFC prohibit the acquisition of assets and liabilities with the intention to trade, as defined by article 104 of EU Regulation 575/2013 in relation to classification of the "supervisory trading book".

2.2 Interest rate and price risks – banking book

Qualitative information

A. Generalities, operating procedures and interest rate and price risk measurement methods

• Interest rate risk

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results. This risk is of particular relevance to variable rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk is inherent in market rate euro zone government securities for which a fair value hedge has not been arranged. BancoPosta RFC's securities are predominantly natural fixed rate instruments or variable rate instruments transformed into fixed rate by cash flow hedges.

Interest rate risk is measured internally using the economic value method. This results in a need to develop an amortisation schedule for the funding consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 20 years is currently used for private customer deposits, 10 years for PostePay cards(119) and 5 years for Public Administration deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability maturity gaps.

(119) From December 2015, a duration analysis is also performed on amounts deposited in PostePay and PostePay Evolution cards, so far "prudently" considered as being on demand, but which, in common with current account deposits, are highly granular and stable, as well as being insensitive to interest rates.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors – such as the duration of deposits, the value of investments and interest rate trends – that contribute to determining the measurement of exposure. In particular, the stress tests are based on an assumed reduction in the maximum time horizon (cut-off point) for private customer deposits, revaluation of the asset portfolio in response to adverse market movements, and non-parallel shifts in the interest rate curve.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance – in line with the risk appetite and thresholds and limits established in the RAF – with financial operations guidelines as approved from time to time by Poste Italiane SpA's Board of Directors.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC monitors market risk, including fair value interest rate and spread risks, inherent in available-for-sale financial assets and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

• Spread risk

Spread risk is inherent in euro zone government securities classified as available-for-sale financial assets. In 2015, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, continued to decline, in the case of 10-year terms to 97 bps at 31 December 2015 (from 138 bps at 31 December 2014). The progressive improvement in the market's perception of Italy's credit rating in 2015, primarily thanks to the ECB's Quantitative Easing programme, 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.

This sensitivity analysis takes into account the main positions potentially exposed to the greatest risk of price movements.

BancoPosta RFC monitors the price risk to which its shareholdings are exposed by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

B. Fair value hedges

BancoPosta RFC's fair value interest rate risk hedges include entering into OTC fair value hedge asset swaps primarily with banks for individual securities in portfolio. These derivatives cannot hedge spread risk since they hedge market interest rate fluctuations through rate swaps. BancoPosta RFC made greater use of this type of transaction in 2015, in response to the low level of interest rates and in order to protect against the negative effects of rising interest rates.

C. Cash flow hedges

BancoPosta RFC's cash flow interest rate risk hedges include entering into OTC cash flow hedge asset swaps primarily with banks for individual securities in portfolio.

The pattern of portfolio maturities results in the need to invest funds in euro government securities resulting in an exposure to risk of an increase in prices as a consequence of decreasing yields. Where appropriate, BancoPosta RFC is a buyer of cash flow hedges of a forecast transaction 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 *(€m)*	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	**8,950**	**6,092**	**173**	**1,739**	**9,705**	**11,601**	**17,272**	**–**
1.1 Debt securities	–	4,811	173	1,739	9,705	11,601	17,272	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	–	4,811	173	1,739	9,705	11,601	17,272	–
1.2 Due from banks	71	1,230	–	–	–	–	–	–
1.3 Due from customers	8,879	51	–	–	–	–	–	–
– current accounts	10	–	–	–	–	–	–	–
– other loans	8,869	51	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	8,869	51	–	–	–	–	–	–
2. On-balance sheet liabilities	**44,838**	**1,006**	**242**	**501**	**3,610**	**–**	**–**	**–**
2.1 Due to customers	44,555	141	242	–	–	–	–	–
– current accounts	43,094	141	242	–	–	–	–	–
– other deposits	1,461	–	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	1,461	–	–	–	–	–	–	–
2.2 Due to banks	283	865	–	501	3,610	–	–	–
– current accounts	–	–	–	–	–	–	–	–
– other deposits	283	865	–	501	3,610	–	–	–
2.3 Debt securities	–	–	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives								
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying securities								
– Options								
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives								
+ Long positions	–	1,565	–	500	5,960	5,155	275	–
+ Short positions	–	1,865	–	100	–	1,000	10,490	–
4. Other off-balance sheet transactions								
+ Long positions	–	415	–	–	–	–	–	–
+ Short positions	–	415	–	–	–	–	–	–

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 *(€m)*	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**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
1.2 Due from banks	1	–	–	–	–	–	–	–
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 (€m)	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**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	–
– with prepayment option	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
1.2 Due from banks	1	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–

2. Banking book: internal models and other methods of sensitivity analysis

• Fair value interest rate risk

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/- 100 bps.

BancoPosta's available-for-sale financial assets portfolio at 31 December 2015 had a duration of 5.89 (31 December 2014: 5.24). The sensitivity analysis is shown in the table.

Fair value interest rate risk

Analysis date *(€m)*	**Nominal value**	**Fair value**	**Changes in value**		**Net interest and other banking income**		**Equity reserves before taxes**	
			+100bps	**-100bps**	**+100bps**	**-100bps**	**+100bps**	**-100bps**
2015 effect								
Available – for – sale financial assets								
Debt securities	26,428	32,415	(1,283)	493	–	–	(1,283)	493
Financial assets held for trading	–	–	–	–	–	–	–	–
Asset – Hedging derivatives	–	–	–	–	–	–	–	–
Financial liabilities held for trading	–	–	–	–	–	–	–	–
Liability – Hedging derivatives	–	–	–	–	–	–	–	–
31 December 2015 variability	**26,428**	**32,415**	**(1,283)**	**493**	**–**	**–**	**(1,283)**	**493**
2014 effect								
Available – for – sale financial assets								
Debt securities	23,941	28,751	(1,014)	206	–	–	(1,014)	206
Financial assets held for trading	–	–	–	–	–	–	–	–
Asset – Hedging derivatives	–	–	–	–	–	–	–	–
Financial liabilities held for trading	–	–	–	–	–	–	–	–
Liability – Hedging derivatives	–	–	–	–	–	–	–	–
31 December 2014 variability	**23,941**	**28,751**	**(1,014)**	**206**	**–**	**–**	**(1,014)**	**206**

All of BancoPosta RFC's investments are classified as held-to-maturity and available-for-sale financial assets. The sensitivity analysis shown above is for the last of these categories.

• Spread risk

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that changes in credit spreads also affect the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, no hedging policy is in place to protect against credit spread risk. This means that, in the event of increases in interest rates attributable to pure rate component, unrealised losses on fixed rate bonds are offset by an increase in the value of hedging IRSs (a fair value hedge strategy). If, on the other hand, interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

The sensitivity analyses are shown below.

Fair value spread risk

Analysis date (€m)	Nominal value	Fair value	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2015 effect								
Available-for-sale financial assets								
Debt securities	26,428	32,415	(3,036)	3,422	–	–	(3,036)	3,422
Financial assets held for trading	–	–	–	–	–	–	–	–
Asset – Hedging derivatives	–	–	–	–	–	–	–	–
Financial liabilities held for trading	–	–	–	–	–	–	–	–
Liability – Hedging derivatives	–	–	–	–	–	–	–	–
31 December 2015 variability	**26,428**	**32,415**	**(3,036)**	**3,422**	**–**	**–**	**(3,036)**	**3,422**
2014 effect								
Available-for-sale financial assets								
Debt securities	23,941	28,751	(2,122)	2,384	–	–	(2,122)	2,384
Financial assets held for trading	–	–	–	–	–	–	–	–
Asset – Hedging derivatives	–	–	–	–	–	–	–	–
Financial liabilities held for trading	–	–	–	–	–	–	–	–
Liability – Hedging derivatives	–	–	–	–	–	–	–	–
31 December 2014 variability	**23,941**	**28,751**	**(2,122)**	**2,384**	**–**	**–**	**(2,122)**	**2,384**

In addition to sensitivity analyses, BancoPosta RFC monitors fair value interest rate risk by computing maximum potential loss or VaR – Value at Risk. The results of the VaR analysis regarding the variability of spread risk are shown below.

Spread risk – VaR analyses

Analysis date (€m)	Risk exposure		Spread VaR
	Nominal value	Fair value	
2015 effect			
Available-for-sale financial assets			
Debt securities	26,428	32,415	260
Financial assets/liabilities held for trading	–	–	–
Asset/Liability – Hedging derivatives	–	–	–
31 December 2015 variability	**26,428**	**32,415**	**260**
2014 effect			
Available-for-sale financial assets			
Debt securities	23,941	28,751	238
Financial assets/liabilities held for trading	–	–	–
Asset/Liability – Hedging derivatives	–	–	–
31 December 2014 variability	**23,941**	**28,751**	**238**

Maximum potential loss (VaR – Value at Risk), a statistical estimation with a time horizon of 1 day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk.

In order to jointly monitor spread and fair value interest rate risks, the following table shows the results of the VaR analysis conducted with reference to available-for-sale financial assets and derivative financial instruments, taking into account the variability of both risk factors:

(€m)	2015	2014
Closing VaR	(332)	(216)
Average VaR	(373)	(182)
Minimum VaR	(201)	(102)
Maximum VaR	(664)	(281)

The increase in VaR at the end of the period, compared with 31 December 2014, reflects the increased duration of the securities held in portfolio, which has resulted in a rise in the component of VaR relating to spread risk.

• Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2014 and 31 December 2015 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

Cash flow interest rate risk

(€m)	2015			2014		
	Nominal value	Net interest and other banking income		Nominal value	Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
– Account held at Bank of Italy	216	1	–	118	–	–
Due from banks	817	8	(1)	882	9	(2)
Due from customers						
– Deposits at MEF (Treasury)	5,855	59	(44)	5,467	55	(55)
– Buffer deposit at MEF	391	4	(1)	934	9	–
– Due from customers (collateral)	51	1	–	15	–	–
– Due from customers (Poste Italiane SpA outside the ring-fence)	577	6	(1)	64	1	–
Financial assets available–for–sale						
– Debt securities	1,335	13	(1)	1,490	15	(5)
Due to banks	(81)	(1)	–	(2,534)	–	–
Due to customers	–	–	–	(400)	–	–
Due to customers (Poste Italiane SpA outside the ring-fence)	(14)	–	–	(68)	(1)	–
Total variability	**9,147**	**91**	**(48)**	**5,968**	**88**	**(62)**

Cash flow interest rate risk at 31 December 2015 was primarily inherent in the placement of Public Administration deposits with the MEF.

• Cash flow inflation rate risk

Cash flow inflation rate risk at 31 December 2015 relates to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges or fair value hedges entered into by BancoPosta RFC, having a nominal value of €2,060 million and a fair value of €2,508 million. The effects of sensitivity analysis are immaterial.

• Price risk

The sensitivity of financial instruments to price risk is analysed by sensitivity stress testing based on historical volatility during the year, considered to be representative of potential market movements.

Price risk

Analysis date (€m)	Exposure	Changes in value		Net interest and other banking income		Equity reserves before taxes	
		+ Vol	– Vol	+ Vol	– Vol	+ Vol	– Vol
2015 effect							
Available-for-sale financial assets							
Equity instruments	182	15	(15)	–	–	15	(15)
31 December 2015 variability	**182**	**15**	**(15)**	**–**	**–**	**15**	**(15)**
2014 effect							
Available-for-sale financial assets							
Equity instruments	56	14	(14)	–	–	14	(14)
31 December 2014 variability	**56**	**14**	**(14)**	**–**	**–**	**14**	**(14)**

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 4.1.

The above analysis excluded the fair value of the investment in the shares of Visa Europe Ltd, amounting to €111 million, as, at the date of this report, there is no historical data or other elements representative of potential market movements on which to base the stress test.

The Class B Mastercard Incorporated shares and Class C Visa Incorporated shares in portfolio were sensitivity tested using similar listed shares adjusting for 2015 volatility. The shares' price risk is also monitored daily through the computation of VaR.

The VaR sensitivity analyses are shown below:

(€m)	2015	2014
Closing VaR	(3)	(2)
Average VaR	(2)	(2)
Minimum VaR	(2)	(1)
Maximum VaR	(3)	(3)

2.3 Foreign exchange risk

Qualitative information

A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of portfolio, through fluctuations in foreign exchange rates. BancoPosta RFC is exposed to this risk principally through foreign currency bank accounts, foreign currency cash and MasterCard and VISA shares.

Foreign exchange risk is controlled by the Risk Management function using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rate equal to the volatility for the period are assumed to emulate market fluctuations.

B. Foreign exchange hedges

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items (€m)		Currency					
		US Dollar	Swiss Franc	Sterling	Japanese Yen	Tunisian Dinar	Other currencies
A.	**Financial assets**	**72**	**1**	**–**	**–**	**–**	**–**
A.1	Debt securities	–	–	–	–	–	–
A.2	Equity instruments	71	–	–	–	–	–
A.3	Due from banks	1	1	–	–	–	–
A.4	Due from customers	–	–	–	–	–	–
A.5	Other financial assets	–	–	–	–	–	–
B.	**Other assets**	**4**	**2**	**2**	**–**	**–**	**–**
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		**76**	**3**	**2**	**–**	**–**	**–**
Total liabilities		**–**	**–**	**–**	**–**	**–**	**–**
Position (+/-)		**76**	**3**	**2**	**–**	**–**	**–**

"Other assets" relate to foreign currencies held in post offices for the foreign exchange service.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

Foreign exchange risk – US dollar

Analysis date *(€m)*	US dollar position ($000)	EUR position (€000)	Changes in value		Net interest and other banking income		Equity reserves before taxes	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2015 Effect								
Available-for-sale Investments								
Equity instruments	77	71	9	(9)	–	–	9	(9)
31 December 2015 variability	**77**	**71**	**9**	**(9)**	**–**	**–**	**9**	**(9)**
2014 Effect								
Available-for-sale Investments								
Equity instruments	68	56	4	(4)	–	–	4	(4)
31 December 2014 variability	**68**	**56**	**4**	**(4)**	**–**	**–**	**4**	**(4)**

2.4 Derivatives

A. Financial derivatives

A.1 Supervisory trading book: closing and average notional amounts

Nil.

A.2 Banking book: closing and average notional amounts

A.2.1 Hedging

Underlyings/Type of derivative (€m)	Balance at 31 December 2015		Balance at 31 December 2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**13,455**	**–**	**8,995**	**–**
a) Options	–	–	–	–
b) Swaps	13,455	–	8,995	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
2. Equity instruments and stock indices	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Currencies and gold	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Commodities	**–**	**–**	**–**	**–**
5. Other underlyings	**–**	**–**	**–**	**–**
Total	**13,455**	**–**	**8,995**	**–**
Averages	**11,799**	**–**	**7,990**	**–**

A.2.2 Other derivatives

Nil.

A.3 Financial derivatives: positive gross fair value by product

Book/Type of derivative *(€m)*	Positive fair value			
	Balance at 31 December 2015		Balance at 31 December 2014	
	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	**328**	**–**	**49**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	328	–	49	–
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	**328**	**–**	**49**	**–**

A.4 Financial derivatives: negative gross fair value by product

Book/Type of derivative (€m)	Negative fair value			
	Balance at 31 December 2015		Balance at 31 December 2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
B. Banking book – hedging	**1,547**	**–**	**1,720**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	1,547	–	1,720	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
C. Banking book – other derivatives	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Other	–	–	–	–
Total	**1,547**	**–**	**1,720**	**–**

A.5 / A.6 OTC financial derivatives – supervisory trading book: notional amount, gross negative and positive fair value by counterparty – contracts falling and not falling within the scope of netting agreements

Nil.

A.7 OTC financial derivatives – banking book: notional amount, gross negative and positive fair value by counterparty – contracts not falling within the scope of netting agreements

Nil.

A.8 OTC financial derivatives – banking book: notional amount, gross negative and positive fair value by counterparty – contracts falling within the scope of netting agreements

Contracts falling within the scope of netting agreements *(€m)*	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurance companies	Non-finance companies	Other entities
1) Debt securities and interest rates							
– notional amount	–	–	12,785	670	–	–	–
– positive fair value	–	–	322	6	–	–	–
– negative fair value	–	–	(1,489)	(58)	–	–	–
2) Equity instruments and stock indices							
– notional amount	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
3) Currencies and gold							
– notional amount	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
4) Other							
– notional amount	–	–	–	–	–	–	–
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–

A.9 Residual terms to maturity of OTC financial derivatives: notional amounts

Underlyings/Residual term to maturity *(€m)*	1 year or less	1 – 5 years	over 5 years	Total
A. Supervisory trading book	**–**	**–**	**–**	**–**
A.1 Financial derivatives on debt securities and interest rates	–	–	–	–
A.2 Financial derivatives on equity instruments and stock indices	–	–	–	–
A.3 Financial derivatives on exchange rates and gold	–	–	–	–
A.4 Financial derivatives on other underlyings	–	–	–	–
B. Banking book:	**–**	**715**	**12,740**	**13,455**
B.1 Financial derivatives on debt securities and interest rates	–	715	12,740	13,455
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 2015	**–**	**715**	**12,740**	**13,455**
Total at 31 December 2014	**–**	**715**	**8,280**	**8,995**

B. Credit derivatives

Not applicable.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposures by counterparty

(€m)	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	–	–	73	–	–	–	–
– negative fair value	–	–	(1,240)	(52)	–	–	–
– future exposure	–	–	86	3	–	–	–
– net counterparty risk	–	–	83	4	–	–	–
2) Bilateral agreements credit derivatives							
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
– future exposure	–	–	–	–	–	–	–
– net counterparty risk	–	–	–	–	–	–	–
3) Cross product agreements							
– positive fair value	–	–	–	–	–	–	–
– negative fair value	–	–	–	–	–	–	–
– future exposure	–	–	–	–	–	–	–
– net counterparty risk	–	–	–	–	–	–	–

Section 3 – Liquidity risk

Qualitative information

A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of repurchase agreement finance due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In terms of BancoPosta RFC's specific operations, liquidity risk regards the investment of current account deposits in euro zone government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for private customers, 10 years for PostePay cards and five years for Public Administration customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:

- LTROs, amounting to an outstanding €4.1 billion;
- 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.

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risks at the beginning of this Part E.

The liquidity risk resulting from contract terms requiring the provision of additional collateral in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold amount[120] to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below "BBB-". The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basle 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Thanks to the nature of its balance sheet (significant holdings of EU government securities and a preponderance of retail deposits), in BancoPosta's case the indicators are well above the limits imposed by the prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

(120) The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.

Quantitative information

1. Distribution of residual terms to maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005, third Revision and relevant clarifications provided by the Supervisory Body), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

Currency: Euro

Asset-Liability/Residual terms to maturity *(€m)*	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	**9,107**	**1,281**	**–**	**–**	**415**	**68**	**2,755**	**10,515**	**27,101**	**–**
A.1 Government securities	–	–	–	–	415	68	2,755	9,015	27,101	–
A.2 Other debt securities	–	–	–	–	–	–	–	1,500	–	–
A.3 UCIs	–	–	–	–	–	–	–	–	–	–
A.4 Loans	9,107	1,281	–	–	–	–	–	–	–	–
– Banks	71	1,230	–	–	–	–	–	–	–	–
– Customers	9,036	51	–	–	–	–	–	–	–	–
On-balance sheet liabilities	**45,369**	**140**	**298**	**392**	**177**	**242**	**502**	**3,601**	**–**	**–**
B.1 Deposits and current accounts	43,377	6	3	82	51	242	–	–	–	–
– Banks	283	–	–	–	–	–	–	–	–	–
– Customers	43,094	6	3	82	51	242	–	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	1,992	134	295	310	126	–	502	3,601	–	–
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	–	–	–	3	50	–	53	–	–	–
– Short positions	–	–	–	–	45	–	60	–	–	–
C.3 Deposits and loans to be received										
– Long positions	–	415	–	–	–	–	–	–	–	–
– Short positions	–	415	–	–	–	–	–	–	–	–
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 *(€m)*	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**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
A.1 Government securities	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 UCIs	–	–	–	–	–	–	–	–	–	–
A.4 Loans	1	–	–	–	–	–	–	–	–	–
– Banks	1	–	–	–	–	–	–	–	–	–
– 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 *(€m)*	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**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
A.1 Government securities	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 UCIs	–	–	–	–	–	–	–	–	–	–
A.4 Loans	1	–	–	–	–	–	–	–	–	–
– Banks	1	–	–	–	–	–	–	–	–	–
– 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	–	–	–	–	–	–	–	–	–	–

Section 4 – Operational risk

Qualitative information

A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

Quantitative information

At 31 December 2015, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. These are as follows:

Operational risk

Event type	Number of types
Internal fraud	31
External fraud	51
Employee practices and workplace safety	8
Customers, products and business practices	39
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	178
Total at 31 December 2015	**319**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

In the latter part of 2015, certain contracts on investment management services to BancoPosta RFC expired. The operational aspects arising from the circumstances are being carefully monitored and appropriate risk mitigation measures are being progressively implemented.

PART F – INFORMATION ON EQUITY

Section 1 – BancoPosta RFC's Equity

A. Qualitative information

The prudential regulations applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013, the purpose of which was to implement EU Regulation 575/2013 (the so-called Capital Requirements Regulation, or "CRR") and Directive 2013/36/EU (the so-called Capital Requirements Directive, or "CRD IV"), containing the reforms required in order to introduce the "Basel 3" regulations. In the third revision of the above Circular, the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity. As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards.

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of Bank of Italy Circular 285/2013, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF(121). Compliance with the metrics established by the RAF influences decisions regarding profit distributions as part of capital management.

(121) A definition of the RAF is provided in the "Introduction" to Part E.

B. Quantitative information

B.1 Equity: analysis

Equity accounts/Amounts *(€m)*	**Balance at 31 December 2015**	**Balance at 31 December 2014**
1. Share capital	–	–
2. Share premium reserve	–	–
3. Reserves	1,949	1,799
– revenue reserves	949	799
a) legal	–	–
b) required by articles	–	–
c) treasury shares	–	–
d) other	949	799
– other	1,000	1,000
4. Equity instruments	–	–
5. (Treasury shares)	–	–
6. Valuation reserves	2,506	1,618
– Available–for–sale financial assets	2,500	1,573
– Property, plant and equipment	–	–
– Intangible assets	–	–
– Hedges of net investments in foreign operations	–	–
– Cash flow hedges	8	48
– Translation differences	–	–
– Non–current assets included in disposal groups	–	–
– Actuarial profits/(losses) on defined benefit plans	(2)	(3)
– Valuation reserves relating to equity accounted investments	–	–
– Special revaluations laws	–	–
7. Profit/(Loss) for the year	587	440
Total	**5,042**	**3,857**

“Reserves, other” consists of the initial reserve of €1 billion provided to BancoPosta RFC on its creation, through the attribution of Poste Italiane SpA’s retained earnings.

B.2 Valuation reserve for available-for-sale financial assets: analysis

Asset/Amounts (€m)	Balance at 31 December 2015		Balance at 31 December 2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,329	(8)	1,683	(165)
2. Equity instruments	179	–	55	–
3. UCIs	–	–	–	–
4. Loans	–	–	–	–
Totale	**2,508**	**(8)**	**1,738**	**(165)**

B.3 Valuation reserve for available-for-sale financial assets: movements during the year

(€m)	Debt securities	Equity instruments	UCIs	Loans
1. Opening balance	**1,518**	**55**	**–**	**–**
2. Increases	**1,098**	**124**	**–**	**–**
2.1 Increases in fair value	983	124	–	–
2.2 Reversal to income statement of negative reserve:	2	–	–	–
– impairments	–	–	–	–
– disposals	2	–	–	–
2.3 Other increases	113	–	–	–
3. Decreases	**(295)**	**–**	**–**	**–**
3.1 Decrease in fair value	(31)	–	–	–
3.2 Impairments	–	–	–	–
3.3 Reversal to income statement of positive reserve on disposal	(263)	–	–	–
3.4 Other increases	(1)	–	–	–
4. Closing balance	**2,321**	**179**	**–**	**–**

Other increases of €113 million regard a revised estimate of deferred tax liabilities on the valuation reserves for available-for-sale financial assets, following the change in the IRES tax rate described in Part C, Section 18 of this Separate Report.

B.4 Defined benefits plans valuation reserve: movements during the year

(€m)	Balance at 31 December 2015	Balance at 31 December 2014
Opening actuarial gains/(losses)	**(3)**	**(1)**
Actuarial gains/(losses)	1	(3)
Taxation of actuarial gains/(losses)	–	1
Closing actuarial gains/(losses)	**(2)**	**(3)**

Section 2 – Own funds and capital ratios

2.1 Own funds

A. Qualitative information

According to the framework defined by the Bank of Italy, own funds consist of two levels:

- Tier 1 Capital, in turn consisting of:
  - Common Equity Tier 1 – CET1;
  - Additional Tier 1 – AT1;
- Tier 2 Capital – T2.

BancoPosta RFC's own funds are all Common Equity Tier 1.

1. Common Equity Tier 1 – CET1

CET1 consists of elements that enable the entity to absorb any losses and continue operating as a going concern, thanks to its particular nature, such as the level of subordination, unredeemability and the absence of any obligation to pay dividends.

BancoPosta's CET1 consists of:

- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds[122];
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

2. Additional Tier 1 – AT1

BancoPosta does not hold any Additional Tier 1 capital.

3. Tier 2 Capital –T2

BancoPosta does not hold any Tier 2 capital.

(122) Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

B. Quantitative information

Tems/Amounts (€m)	Amount at 31 December 2015	Amount at 31 December 2014
A. Common Equity Tier 1 – CET1, before application of prudential filters	**1,949**	**1,799**
of which CET1 instruments subject to transitional requirements	–	–
B. Prudential CET1 filters (+/-)	**–**	**–**
C. CET1 before investments to be deducted and adjustments for the transitional regime (A+/- B)	**1,949**	**1,799**
D. Elements to be deducted from CET1	**–**	**–**
E. Transitional regime – Impact on CET1 (+/-)	**–**	**–**
F. Total Common Equity Tier 1 – CET1 (C – D +/- E)	**1,949**	**1,799**
G. Additional Tier 1 – AT1 before elements to be deducted and adjustments for the transitional regime	**–**	**–**
of which AT1 instruments subject to transitional requirements	–	–
H. Elements to be deducted from AT1	**–**	**–**
I. Transitional regime – Impact on AT1 (+/-)	**–**	**–**
L. Total Additional Tier 1 – AT1 (G – H +/- I)	**–**	**–**
M. Tier 2 – T2 before investments to be deducted and adjustments for the transitional regime	**–**	**–**
of which T2 instruments subject to transitional requirements	–	–
N. Elements to be deducted from T2	**–**	**–**
O. Transitional regime – Impact on T2 (+/-)	**–**	**–**
P. Total Tier2 – T2 (M – N +/- O)	**–**	**–**
Q. Total own funds (F + L + P)	**1,949**	**1,799**

CET1 consists of the initial equity reserve of €1,000 million provided to BancoPosta RFC on its creation and retained earnings of €949 million.

Profit for the year has not been computed in accordance with article 26 of EU Regulation 575/2013.

2.2 Capital adequacy

A. Qualitative information

Based on prudential standards, BancoPosta is required to comply with the following minimum capital ratios:

- Total capital ratio (the ratio of total own funds to total risk weighted assets – RWA[123]), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer[124]);
- Common Equity Tier 1 ratio (the ratio of CET1 to total RWA): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of T1 and total RWA): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer).

In calculating both the capital requirements regarding credit and counterparty risk and the Credit Valuation Adjustment (CVA), the standardised approach provided for by EU Regulation 575/2013 is used.

(123) Risk weighted assets, or RWA, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.

(124) The capital conservation buffer is designed to ensure a minimum level of regulatory capital under adverse markets conditions by enabling the build-up of high-quality capital outside periods of market stress.

In the case of BancoPosta RFC, credit risk derives primarily from exposures in the form of cash deposits and securities pledged as collateral (under counterparty risk mitigation agreements, such as CSAs and GMRAs), and trade receivables due from partners as a result of the distribution of financial and insurance products[(125)]. Exposures resulting from the investment of funds raised from deposits paid into accounts by private and Public Administration customers (euro zone government securities and amounts deposited with the MEF) and amounts due from the Italian Treasury as a result of depositing funds gathered, less payables for advances disbursed, do not, for the purposes of credit risk, result in the absorption of capital, as these exposures have a zero weighting.

Counterparty risk derives from exposures resulting from cash flow and fair value hedges and repurchase agreements[(126)].

Market risks solely regard foreign exchange risk which, in BancoPosta RFC's case, principally derives from foreign currency bank accounts, foreign currency holdings and the MasterCard and VISA shareholdings. In calculating the capital requirements regarding foreign exchange risk, the standardised approach provided for by EU Regulation 575/2013 is applied.

In calculating Pillar 1 capital requirements for operational risk, BancoPosta applied the simplified approach (BIA – Basic Indicator Approach) provided for by EU Regulation 575/2013. This consists of applying a percentage of 15% to the average of the relevant indicator for the last three years[(127)] as at the end of the reporting period.

(125) See the previous description in Part E – Section 1, Credit risk.

(126) The estimated risk exposure for derivative financial instruments is based on the "Market value" method, whilst the exposure deriving from repurchase agreements is estimated using the Credit Risk Mitigation (CRM) techniques, the "Full Method". Further information is provided in Part E – Section 1, Credit risk.

(127) BancoPosta RFC calculates the relevant indicator as the sum of the following income statement items (in accordance with IAS): net interest income (items 10-20); net fee and commission income (items 40-50); the portion of "other operating income" not generated by extraordinary or non-recurring items (a portion of the positive component of item 190); net profits on the trading book (items 80, 90, 100b, 100c, 110); dividends (item 70).

B. Quantitative information

Categories / Amounts (€m)	Unweighted amounts/ Requirement		Weighted amounts/ Requirements	
	at 31 December 2015	at 31 December 2014	at 31 December 2015	at 31 December 2014
A. RISK ASSETS				
A.1 Credit and counterparty risk	61,128	58,256	2,255	2,155
1. Standardised approach	61,128	58,256	2,255	2,155
2. Internal ratings based approach	–	–	–	–
2.1 Basic	–	–	–	–
2.2 Advanced	–	–	–	–
3. Securitisations	–	–	–	–
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			180	172
B.2 Risk of changes in credit ratings			12	6
B.3 Regulatory risk			–	–
B.4 Market risk			7	5
1. Standard approach			7	5
2. Internal models			–	–
3. Concentration risk			–	–
B.5 Operational risk			810	797
1. Basic approach			810	797
2. Standardised approach			–	–
3. Advanced approach			–	–
B.6 Other elements in the calculation			–	–
B.7 Total prudential requirements			1,009	980
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			12,613	12,250
C.2 CET1 capital ratio			15,5%	14,7%
C.3 Tier 1 capital ratio			15,5%	14,7%
C.4 Total capital ratio			15,5%	14,7%

The table shows BancoPosta's position regarding compliance with the Pillar 1 capital requirements governed by the CRR.

Unweighted risk exposures do not take into account risk mitigation techniques and the credit conversion factors used for off-balance sheet exposures.

The principal risk is operational, which absorbs approximately 80% of total prudential requirements. Credit risk amounts to €166 million, whilst the remaining amount absorbed regards counterparty risk (€14 million). Market risk solely regards foreign exchange risk, which absorbs less than 1% of total capital requirements.

At 31 December 2015, BancoPosta RFC complies with the prudential requirements specified in the section on qualitative information.

PART G – BUSINESS COMBINATIONS

No business combinations took place either during or subsequent to the period under review.

PART H – RELATED PARTY TRANSACTIONS

1. PAYMENTS TO KEY MANAGEMENT PERSONNEL

Key management personnel consist of Directors of Poste Italiane SpA and first-line managers, whose compensation before social security and welfare charges and contributions are disclosed in table 4.4.5 in the notes on Poste Italiane's financial statements and have been charged to BancoPosta RFC as part of the services provided by Poste Italiane functions outside the ring-fence (see Part C, Table 9.5). The charges are calculated in accordance with specific operating guidelines (Part A, paragraph A.1, Section 4).

2. RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position at 31 December 2015

Name *(€m)*	**Balance at 31 December 2015**						
	Financial assets	**Due from banks and customers**	**Hedging derivatives**	**Other assets**	**Financial liabilities**	**Due to banks and customers**	**Other liabilities**
Poste Italiane SpA	–	580	–	–	–	93	189
Direct subsidiaries							
Banca del Mezzogiorno MCC SpA	–	–	–	–	–	5	–
BancoPosta Fondi SpA SGR	–	12	–	–	–	3	–
CLP ScpA	–	–	–	–	–	5	27
Consorzio PosteMotori	–	9	–	–	–	23	–
EGI SpA	–	–	–	–	–	12	–
Mistral Air Srl	–	–	–	–	–	1	–
PatentiViaPoste ScpA	–	–	–	–	–	4	–
Poste Tributi ScpA	–	3	–	–	–	1	–
Poste Tutela SpA	–	–	–	–	–	21	–
Poste Vita SpA	–	135	–	–	–	118	–
Postecom SpA	–	–	–	–	–	5	3
Postel SpA	–	–	–	–	–	3	–
PosteMobile SpA	–	2	–	–	–	16	1
PosteShop SpA	–	–	–	–	–	1	–
SDA Express Courier SpA	–	–	–	–	–	4	–
Indirect subsidiaries							
Kipoint SpA	–	–	–	–	–	–	–
Poste Assicura SpA	–	5	–	–	–	1	–
Related parties external to the Group							
Ministry of the Economy and Finance	–	7,646	–	–	–	–	–
Cassa Depositi e Prestiti Group	1,500	397	–	–	–	–	–
Enel Group	–	1	–	–	–	–	7
Equitalia Group	–	–	–	–	–	–	1
Other related parties external to the Group	–	–	–	–	–	–	10
Provision for doubtful debts owing from external related parties	–	(10)	–	–	–	–	–
Total	**1,500**	**8,780**	**–**	**–**	**–**	**316**	**238**

Impact of related party transactions on the financial position at 31 December 2014

Name *(€m)*	**Balance at 31 December 2014**						
	Financial assets	**Due from banks and customers**	**Hedging derivatives**	**Other assets**	**Financial liabilities**	**Due to banks and customers**	**Other liabilities**
Poste Italiane SpA	–	66	–	–	–	222	308
Direct subsidiaries							
Banca del Mezzogiorno MCC SpA	–	–	–	–	–	5	–
BancoPosta Fondi SpA SGR	–	10	–	–	–	14	–
CLP ScpA	–	–	–	–	–	6	6
Consorzio PosteMotori	–	14	–	–	–	20	–
EGI SpA	–	–	–	–	–	15	–
Mistral Air Srl	–	–	–	–	–	1	–
PatentiViaPoste ScpA	–	–	–	–	–	5	–
Poste Energia SpA	–	–	–	–	–	1	–
Poste Holding Participações do Brasil Ltda	–	–	–	–	–	–	–
Poste Tributi ScpA	–	3	–	–	–	2	–
Poste Tutela SpA	–	–	–	–	–	7	–
Poste Vita SpA	–	81	–	–	–	64	–
Postecom SpA	–	–	–	–	–	9	3
Postel SpA	–	–	–	–	–	7	–
PosteMobile SpA	–	2	–	–	–	14	1
PosteShop SpA	–	–	–	–	–	1	–
SDA Express Courier SpA	–	–	–	–	–	4	–
Indirect subsidiaries							
Kipoint SpA	–	–	–	–	–	–	–
Poste Assicura SpA	–	6	–	–	–	2	–
PostelPrint SpA	–	–	–	–	–	5	20
Related parties external to the Group							
Ministry of the Economy and Finance	–	7,188	–	–	–	–	–
Cassa Depositi e Prestiti Group	–	901	–	–	–	409	8
Enel Group	–	7	–	–	–	–	7
Equitalia Group	–	–	–	–	–	–	6
Other related parties external to the Group	–	–	–	–	–	–	1
Provision for doubtful debts owing from external related parties	–	(9)	–	–	–	–	–
Total	**–**	**8,269**	**–**	**–**	**–**	**813**	**360**

Impact of related party transactions on the results of operations for the year ended 31 December 2015

Name *(€m)*	For the year ended 31 December 2015							
	Interest and similar income	Interest and similar expense	Fee income	Fee expenses	Dividends and similar income	Net losses/ recoveries on impairments	Administrative expenses	Other operating income/ (expenses)
Poste Italiane SpA	–	(1)	–	–	–	–	(4,251)	–
Direct subsidiaries								
BancoPosta Fondi SpA SGR	–	–	22	–	–	–	–	–
CLP ScpA	–	–	–	–	–	–	(28)	–
Consorzio PosteMotori	–	–	35	–	–	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	–	–	–	–	–
Poste Tributi ScpA	–	–	–	–	–	–	–	–
Poste Tutela SpA	–	–	–	–	–	–	–	–
Poste Vita SpA	–	–	412	–	–	–	–	–
Postecom SpA	–	–	–	–	–	–	(4)	–
Postel SpA	–	–	–	–	–	–	(10)	–
PosteMobile SpA	–	–	2	–	–	–	(1)	–
SDA Express Courier SpA	–	–	–	–	–	–	–	–
Indirect subsidiaries								
Poste Assicura SpA	–	–	15	–	–	–	–	–
Related parties external to the Group								
Ministry of the Economy and Finance	34	(1)	130	–	–	(1)	–	–
Cassa Depositi e Prestiti Group	–	–	1,611	–	–	–	(8)	–
Enel Group	–	–	9	–	–	–	–	–
Eni Group	–	–	4	–	–	–	–	–
Equitalia Group	–	–	–	–	–	–	(4)	–
Other related parties external to the Group	–	–	3	–	–	–	(1)	–
Total	**34**	**(2)**	**2,243**	**–**	**–**	**(1)**	**(4,307)**	**–**

Impact of related party transactions on the results of operations for the year ended 31 December 2014

Name *(€m)*	For the year ended 31 December 2015							
	Interest and similar income	Interest and similar expense	Fee income	Fee expenses	Dividends and similar income	Net losses/ recoveries on impairments	Administrative expenses	Other operating income/ (expenses)
Poste Italiane SpA	2	–	–	–	–	–	(4,500)	–
Direct subsidiaries								
BancoPosta Fondi SpA SGR	–	–	18	–	–	–	–	–
CLP ScpA	–	–	1	–	–	–	(8)	–
Consorzio PosteMotori	–	–	14	–	–	–	–	–
Consorzio Servizi Telef. Mobile ScpA	–	–	–	–	–	–	(5)	–
Poste Tributi ScpA	–	–	1	–	–	–	–	–
Poste Tutela SpA	–	–	–	–	–	–	–	1
Poste Vita SpA	–	(1)	353	–	–	–	–	–
Postecom SpA	–	–	–	–	–	–	(7)	1
Postel SpA	–	–	–	–	–	–	–	–
PosteMobile SpA	–	–	2	–	–	–	(1)	–
SDA Express Courier SpA	–	–	1	–	–	–	(2)	–
Indirect subsidiaries								
Italia Logistica Srl	–	–	–	–	–	–	–	1
Poste Assicura SpA	–	–	18	–	–	–	–	–
PostelPrint SpA	–	–	–	–	–	–	(44)	–
Related parties external to the Group								
Ministry of the Economy and Finance	74	–	152	–	–	–	–	–
Cassa Depositi e Prestiti Group	–	(6)	1,640	–	–	–	(17)	–
Enel Group	5	–	8	–	–	–	–	–
Eni Group	–	–	4	–	–	–	–	–
Equitalia Group	–	(4)	–	–	–	–	–	–
Other related parties external to the Group	–	–	3	–	–	–	–	–
Total	**81**	**(15)**	**2,215**	**–**	**–**	**–**	**(4,584)**	**3**

PART I – SHARE-BASED PAYMENT ARRANGEMENTS

There were no share-based payment arrangements at the reporting date.

PART L – OPERATING SEGMENTS

The economic flows and performance of the operations are reported internally on a regular basis to executives without identifying segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

8

Reports and attestations

Attestation of the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2015 pursuant to art. 154-*bis*, paragraph 5 of Legislative Decree 58/1998 and art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999

1. The undersigned, Francesco Caio, as Chief Executive Officer, and Luciano Loiodice, 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, hereby attest to:

- the adequacy with regard to the nature of the Poste Italiane Group and
- the effective application of the administrative and accounting procedures adopted in preparation of the Poste Italiane Group's consolidated financial statements during the period from 1 January 2015 to 31 December 2015.

2. In this regard, it should be noted that:

- the adequacy of the administrative and accounting procedures adopted in preparation of the Poste Italiane Group's consolidated financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the Internal Control–Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the internal control system over financial reporting did not identify any material issues.

3. We also attest that:

3.1 the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2015:

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, together with a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
22 March 2016

Chief Executive Officer	Manager responsible for financial reporting
Francesco Caio	Luciano Loiodice

(This certification has been translated from the original which was issued in accordance with Italian legislation)

Attestation of the separate financial statements for the year ended 31 December 2015 pursuant to art. 154-*bis* , paragraph 5 of Legislative Decree 58/1998 and art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999

1. The undersigned, Francesco Caio, as Chief Executive Officer, and Luciano Loiodice, 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 financial statements during the period from 1 January 2015 to 31 December 2015.

2. In this regard, it should be noted that:
- the adequacy of the administrative and accounting procedures adopted in preparation of Poste Italiane SpA's separate financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the Internal Control–Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the internal control system over financial reporting did not identify any material issues.

3. We also attest that:

3.1 the separate financial statements for the year ended 31 December 2015:

d) 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;
e) are consistent with the underlying accounting books and records;
f) give a true and fair view of the financial position and results of operations of the Issuer.

3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the Issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, Italy
22 March 2016

Chief Executive Officer	Manager responsible for financial reporting
Francesco Caio	Luciano Loiodice

(This certification has been translated from the original which was issued in accordance with Italian legislation)

BOARD OF STATUTORY AUDITORS' REPORT TO SHAREHOLDERS
(pursuant to art. 2429, paragraph 2 of the Italian Civil Code)

Dear Shareholders,

During the year ended 31 December 2014, the Board of Statutory Auditors fulfilled its statutory duties in accordance with the Italian Civil Code and Legislative Decree 39/2010, Legislative Decree 58/1998 (the Consolidated Law on Finance - *Consolidated Law on Finance*), pursuant to Presidential Decree 144/2001 "Regulations governing the services provided by BancoPosta", and in accordance with the provisions applied to BancoPosta by the relevant authorities. In conducting its duties, the Board also took into account the indications contained in CONSOB announcement DEM/1025564 of 6 April 2001, as amended by announcement DEM/3021582 of 4 April 2003 and then by announcement DEM/6031329 of 7 April 2006, and those in the Corporate Governance Code for Listed Companies which the Company formally adopted with the Board of Directors' resolution of 31 July 2015.

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*).

Election and activities of the Board of Statutory Auditors

This report has been prepared by the Board of Statutory Auditors, whose members are the following: 1) Benedetta Navarra – elected as Chairwoman by the General Meeting of shareholders held on 23 September 2015, following the resignation of Biagio Mazzotta, and formerly a standing Auditor elected by the General Meeting of shareholders held on 25 July 2013, 2) Nadia Fontana, standing Auditor elected by the General Meeting of shareholders held on 25 July 2013, 3) Maurizio Bastoni, standing Auditor elected by the General Meeting of shareholders held on 23 September 2015, following the resignation of Biagio Mazzotta and Benedetta Navarra's assumption of the role of Chairwoman.

The Board obtained the information necessary in order to carry out its appointed duties by attending all Board of Directors' meetings and meetings of the Audit and Risk Committee and the Remuneration Committee, by holding meetings with the various functions within the Company and, above all, during meetings with internal auditing staff and with the Company's management, as well as through ongoing contact with the Manager responsible for financial reporting and with the Independent Auditors, PricewaterhouseCoopers SpA, who are responsible for auditing the separate and consolidated financial statements.

On 25 July 2013, the Board of Directors also assigned Poste Italiane SpA's Board of Statutory Auditors the role of the Company's Supervisory Board, pursuant to Legislative Decree 231/2001. This appointment will expire at the same time as the term of office of the Board of Statutory Auditors itself.

During the year, the Board of Statutory Auditors – aside from specific meetings held to discuss issues relating to oversight for the purposes of the above Legislative Decree 231/2001 – met on 20 occasions, with the meetings having an average duration of 2 hours and 40 minutes, attended 18 Board of Directors' meetings, 4 meetings of the Audit and Risk Committee and 5 meetings of the Remuneration Committee, both Committees having been established on 10 September 2015, and 2 Ordinary General Meetings and 1 Extraordinary General Meeting.

The Magistrate appointed by the Italian Court of Auditors to oversee Poste Italiane, the Head of Internal Auditing and the Independent Auditors responsible for auditing the separate and consolidated financial statements are always invited to attend meetings of the Board of Statutory Auditors.

The full text of the minutes of Board of Statutory Auditors' meetings, which on occasion contain explicit recommendations on how to promptly respond to any critical issues raised, are always sent to the Chairwoman of the Board of Directors and to the Chief Executive Officer and General Manager, in order to ensure the correct and appropriate exchange of information within the Company.

Based on the activities conducted, the Board of Statutory Auditors reports the following.

Oversight of compliance with the law and the Company's By-laws and with correct corporate governance principles, the adequacy of the organisational structure and the administrative and accounting systems adopted by the Company, and with Legislative Decree 39/2010.

The Board of Statutory Auditors:

a) verified compliance with the law and the By-laws. At the time of the listing of the Company's ordinary shares on the screen-based trading system (*Mercato Telematico Azionario* or "MTA") operated by Borsa Italiana SpA, the Company adopted a corporate governance system and corporate procedures in keeping with those of a listed company;

b) periodically obtained information from the Directors on the overall operating performance, the outlook for the Company, in part during a number of Board of Directors' meetings at which the progress of work on the Business Plan was discussed, and on the most significant transactions having an impact on the results of operations and financial position decided on and carried out by the Company and other Group companies during the year. The meetings were conducted in accordance with the By-laws, the related legislation and regulations governing their conduct and, within the scope of its responsibilities, the Board can provide reasonable assurance that the actions approved comply with the law, the By-laws and correct corporate governance principles and were not manifestly imprudent, risky or in conflict with resolutions approved by General Meeting, or such as to compromise the value of the Company. from the information provided during the Board of Directors' meetings, there is no evidence that the Directors have carried out transactions giving rise to a potential conflict of interest with the Company;

c) is not aware of atypical or unusual transactions with Group companies, third parties or other related parties;

d) oversaw, within the scope of its responsibilities, the adequacy of the Company's organisational structure and, more generally, that of the Poste Italiane Group as a whole. in line with the Guidelines for the organisational structure drawn up in October 2014, work continued during the year on implementation of the Poste Italiane Group's new organisational model, with a view to enabling delivery of the strategy and targets set out in the Business Plan for the period 2015-2019, by bringing about synergies between the Group's different areas of activity. Under the new organisational model, the Group is organised in three areas of business, managed by three specific Poste Italiane functions: "Mail, Logistics and Communication", "BancoPosta" and the new function, established in December 2015, "Asset Management and Insurance Services". Responsibility for management and coordination of the subsidiaries, Postel, SDA, Consorzio Logistica Pacchi and Mistral Air has been assigned to Poste Italiane's "Mail, Logistics and Communication" function. Business support processes are being rationalised at Group level, with a number already having been centralised. In order to rationalise the Group's internal regulations, a specific project named "Integrated Regulatory Framework" was launched in early 2016. This consists of policies, guidelines and procedures designed to fit into a pyramid structure, involving the Board of Directors, the Chief Executive Officer, management and all the Group's personnel;

e) verified correct application of the criteria and procedures used by the Board of Directors to assess the independence of Directors; the Board of Directors conducted an assessment of its functionality, size and composition and of the Board Committees with the support of a leading consulting firm, reporting on its findings in the "Annual Report on Corporate Governance and the Ownership Structure". With regard to self-assessment of the independence of our members, the Board of Statutory Auditors verified that all its members meet the related requirements provided for in both the Consolidated Law on Finance and the Corporate Governance Code.

f) examined and oversaw, within the scope of its responsibilities, the adequacy of the Company's administrative-accounting system in reliably representing operating activities, the effectiveness of the internal control and risk management system and the financial reporting process, 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) taking part in the work of the Audit and Risk Committee; (iv) examining the annual report on the activities of the Internal Auditing function; (v) examining the proposed Audit Plan for 2015; (vi) 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; (vii) obtaining information and details of inspections and proceedings conducted by Italian government or European Union bodies and authorities, including those of an independent nature, details of which are provided in the section, "Proceedings pending and relations with the authorities", in the notes to the financial statements. A number of areas of concern have emerged – above all, regarding the process of assessing the quality of delivery services and relations with a provider of IT services for the Financial Services segment – and these have been brought to the attention of the relevant bodies and functions, progressively monitoring the actions taken to resolve the issues identified;

g) in February 2016, the Board of Directors approved "Guidelines for impairment testing", which describe the processes adopted by Poste Italiane in order to comply with IAS 36 in relation to the identification, measurement and recognition of impairment losses on non-financial assets and the related disclosures to be provided in the financial statements;

h) with particular regard to the internal control and risk management system, it should be noted that, in July 2015, the Board of Directors, with the agreement of the independent Directors, approved "Guidelines for Internal Control and Risk Management System", in line with the requirements of the Corporate Governance Code and the Bank of Italy's supervisory standards applicable to BancoPosta's operations. In organisational terms, the new Group Risk Management function has also been created, with the main role of identifying, assessing and managing the Group's risks, including those of a strategic nature capable of affecting achievement of the objectives in the Business Plan;

i) in conducting the tasks required in relation to our role as the Company's Supervisory Board, pursuant to Legislative Decree 231/2001, the Board of Statutory Auditors carried out a review and revision of the Organisational Model required by this legislation, with the aim of reflecting any changes in the related regulations, changes in the organisational structure and the Company's operations and aligning Poste Italiane's 231 governance system with the best practices for listed companies. The new 231 Organisational Model was approved by the Board of Directors in July 2015.

With regard to our oversight of the functionality of and compliance with the 231 Organisational Model, 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, except for the investigation into the process of assessing the quality of delivery services.

l) during the year, the Board oversaw the activities of the Remuneration Committee, including with reference to compliance with the requirements of art. 34, paragraph 38 of Law 179/2012. The Remuneration Committee, whose members are all independent Directors, i) drafted the proposal recommending the award of a one-off IPO Bonus for the Chief Executive Officer (in his role as General Manager) and for a limited number of the Company's personnel, in recognition of their involvement in in the process that resulted in the admission to trading of the Company's shares on the MTA; ii) drafted the proposal recommending the remuneration to be paid to non-executive Directors for their membership of Board Committees; iii) examined a report from the competent departments on the situation regarding the remuneration of key management personnel (and on the action to be taken in this regard). In early 2016, the Remuneration Committee, partly on the basis of a benchmarking process conducted by an independent consulting firm, drafted: i) the proposal relating to determination of the remuneration policy for the Directors and key management personnel for 2016, the remuneration report for 2015, the short-term incentive plan (MBO), together with the related performance targets, for the Chief Executive Officer/General Manager and key management personnel; ii) the proposal for the long-term incentive plan (LTIP) for the relevant personnel for 2016. The remuneration policies in question are aligned with best practices and comply with the principle linking remuneration with appropriate financial and non-financial performance targets;

m) the Independent Auditors have today issued their reports on the separate and consolidated financial statements for the year ended 31 December 2015, prepared pursuant to articles 14 and 16 of Legislative Decree 39/2010. The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in accordance with the regulations issued in implementation of art. 9 of Legislative Decree 38/2005. The reports state that Poste Italiane SpA's separate financial statements and the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2015 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 as and for the year ended at that date.
In their reports, the Independent Auditors express the opinion that the information in the Directors' Report on Operations and in the "Annual Report on Corporate governance and the Ownership Structure", as required by art. 123-*bis*, paragraph 4 of the Consolidated Law on Finance, is consistent with the information in the separate and consolidated financial statements for the year ended 31 December 2015;

n) 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 2015" and the "Letter of suggestions 2015", 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 internal control system over financial reporting, taking into account the extraordinary, ongoing changes to the organisational structures of the Parent Company and its subsidiaries in 2014 and 2015, as part of the wider plan to list Poste Italiane SpA's shares on the stock exchange, which took place in October 2015, the need to continuously monitor alignment of the internal control system with management's strategic objectives, as set out in the Group's Business Plan, and market best practices, and the commitments given by Poste Italiane SpA and Poste Vita SpA following the inspections conducted by the relevant authorities (the Bank of Italy, IVASS and the CONSOB), in the above report, the Independent Auditors provide suggestions on how to rectify a number of failings, above all regarding:

- the need to further improve the adequacy of the design and effective functionality of the overall system of internal controls – including those relating to information systems – as it relates to the Company's and the Group's financial reporting;
- the need to strengthen implementation and development of the IT systems and supports used in the Company's and the Group's financial reporting, consolidating their integration and security in keeping with requirements regarding the segregation of functions and the consistency of roles and responsibilities, and those contained in existing supervisory standards applicable to the contracting out of key functions.

The Board of Statutory Auditors, within the scope of its responsibilities, concurs with the views expressed by the Independent Auditors. With particular reference to the "Letter of suggestions 2015", 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;

o) the Board noted the Attestations, dated 22 March 2016, of the separate and the consolidated financial statements for the year ended 31 December 2015 pursuant to art.154-*bis*, paragraph 5 of Legislative Decree 58/1998 and art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999", 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;

p) attached to the notes to the Company's separate financial statements is a section entitled "Disclosure of fees paid to the Independent Auditors in accordance with art. 149-*duodecies* of the CONSOB Regulations for Issuers", which includes a table showing the fees payable to the Independent Auditors, PricewaterhouseCoopers SpA, and companies within its network for the year under review.

In view of:

- the declaration of independence issued by 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 the same decree and published on their website;
- the engagements assigned to the Independent Auditors and companies within its network by Poste Italiane SpA and Group companies,

the Board believes that the Independent Auditors, PricewaterhouseCoopers SpA, meet the requirements for independence;

q) pursuant to art. 149, paragraph 1, letter c-*bis* of the Consolidated Law on Finance, the Board oversaw the procedures involved in effective implementation of the rules provided for in the Corporate Governance Code adopted by the Board of Directors, as described in the "Annual Report on Corporate governance and the Ownership Structure", prepared by the Directors and approved by the Board of Directors at the meeting of 22

March 2016, the Board also verified the content of the above "Annual Report on Corporate governance and the Ownership Structure", which has been prepared in accordance with the instructions contained in the Borsa Italiana SpA's Market Regulations and in the Consolidated Law on Finance;

r) pursuant to art. 114 of the Consolidated Law on Finance, in July 2015, the Board of Directors approved the procedure for internal management and publication of confidential information, which applies to Poste Italiane and its subsidiaries and has been adequately communicated to Group companies, and the rules governing disclosures concerning transactions by relevant persons; pursuant to art. 115-*bis* of the Consolidated Law on Finance, a register of persons with access to confidential information throughout the Group has been established;

s) held meetings with the boards of statutory auditors and supervisory boards of the principal Group companies, and acquired and examined the reports on the financial statements for the year ended 31 December 2015 issued by the boards of statutory auditors of investee companies, noting the Company's issue of attestations regarding its binding commitment to provide financial support, in 2016, for the Group companies, SDA Express Courier SpA, Posteshop SpA and Mistral Air Srl;

t) in July 2015, the Company adopted the "Guidelines for transactions with related and associated parties", drawn up in accordance with CONSOB Regulation 17221 "Regulations containing provisions regarding related party transactions", as amended, and the requirements contained in Bank of Italy Circular 263/06 - Section V, Chapter 5 "Risk assets and conflicts of interest in respect of associated parties" applied to Poste Italiane with regard to transactions carried out by BancoPosta with Poste Italiane's associated parties; these guidelines, as approved by the Board of Directors, with the prior consent of the independent Directors and subject to a detailed, reasoned opinion from the Board of Statutory Auditors in compliance with the requirements of the supervisory standards applied to BancoPosta, comply with statutory and regulatory requirements and with the standards governing substantive and procedural fairness, and transparency in the decision-making process.

The Board oversaw effective implementation of the rules governing related party transaction, by attending meetings of the Board Committee with responsibility for related and associated party transactions, which is the same as the Audit and Risk Committee. In the Directors' Report on Operations and the notes to the separate and consolidated financial statements, the Directors provide appropriate disclosures regarding intercompany and related party transactions;

u) did not, during the year, receive complaints pursuant to art. 2408 of the Italian Civil Code. It should, however, be noted that two complaints were presented by the same shareholder in January 2016, in connection with the fine imposed by the AGCM (the Italian Antitrust Authority) and other minor matters. In response, the Board, with the aid of the competent Company functions, looked into the points raised, concluding that there are no irregularities to report.

Opinions issued pursuant to the law and internal regulations

v) During the year, the Board of Statutory Auditors was required to issue the following opinions:

- in accordance with the Company's policy on "The assignment of engagements to Poste Italiane's Independent Auditors", on the appointment of the Independent Auditors to carry out engagements other than the audit of the accounts, as described in point p);
- in accordance with art. 154-*bis* of Legislative Decree 58/1998, on the appointment of the Manager responsible for financial reporting;

- in accordance with art. 2386, paragraph 1 of the Italian Civil Code, on the co-option of a member of the Board of Directors;
- in accordance with the Instructions for the Market Regulations for the markets organised and managed by Borsa Italiana SpA, on the attestation approved by the Board of Directors' meeting of 31 July 2015, in relation to the fact that:

  (i) the Company has adopted a Management Control System that enables management to periodically and rapidly obtain a sufficiently complete overview of the operating and financial performances of the Company and the principal Group companies it controls, providing a correct basis for:

  - monitoring key performance indicators and the main risk factors to which the Company and the principal Group companies it controls are exposed;
  - producing data and information for use in financial reporting, on a sufficiently detailed basis for the type of business, the complexity of the organisation and the specific nature of the information required by management;
  - preparing financial projections for business planning and budget purposes and for assessing the achievement of business objectives through gap analysis;

  (ii) there are no critical areas of concern, as defined by Borsa Italiana.

Oversight of BancoPosta RFC

The complex process of ensuring progressive compliance with the supervisory standards applied to BancoPosta by the Bank of Italy in its third revision, issued on 27 May 2014, of Circular 285 of 17 December 2013 continued during the year. The revised Circular contains a new Part IV "Particular intermediaries", Chapter 1 "BancoPosta".

The action taken to comply with governance requirements, in agreement with the supervisory authority, were implemented alongside preparations for the Company's stock exchange listing. In particular, in July 2015, the Board of Directors approved, with the agreement of the Board of Statutory Auditors, the Corporate Governance Project, describing the By-laws and the structure of the internal organisation, subsequently submitted for approval by the Bank of Italy, together with the new BancoPosta RFC Regulation, approved by the Extraordinary General Meeting of 31 July 2015, containing regulations governing the organisation, management and control of the ring-fenced capital.

The General Meeting of 31 July 2015 also approved remuneration and incentive policies for BancoPosta personnel, which meet the requirements for banks.

The further steps necessary to ensure full compliance with the supervisory standards were progressively implemented in 2015 and are still in progress.

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 and in the Consolidated Law on Finance and the implementing regulations for banks, deemed applicable to BancoPosta by the relevant authorities, and in compliance with the BancoPosta RFC Regulation approved by the General Meeting of shareholders held on 14 April 2011 and amended by the Extraordinary General Meeting of 31 July 2015. As required by the above By-laws, the Board of Statutory Auditors examined the specific issues regarding BancoPosta RFC separately, reporting the results in a separate section of the minutes of their meetings;

– the new supervisory standards issued by the Bank of Italy on 27 May 2014, with regard to both compliance with the standards that came immediately into effect and the steps undertaken by Banco Posta in order to comply, within the required deadline, with the standards whose application was deferred.

As a result:

w) based on the information received from the Manager responsible for financial reporting, the Independent Auditors, the management of BancoPosta and the heads of BancoPosta's control functions, and the Board's examination of the annual report of the Manager responsible for the internal control system relating to financial reporting, it should be noted that:

i) BancoPosta RFC's organisation and accounts have been unbundled with respect to the Company's operations. In preparing the Separate Report for BancoPosta RFC, in compliance with the provisions of Law Decree 225/10, converted into Law 10/11, which established BancoPosta RFC, requiring the accounting separation provided for in articles 2214 *et seq.* of the Italian Civil Code and preparation of a separate report, the Company introduced a specific dedicated system. The separate report is, where applicable, prepared in application of Bank of Italy Circular 262 of 22 December 2005, as amended; the level of control over management of BancoPosta RFC's accounts is adequate;

ii) with regard to the contracting out of BancoPosta's functions to Poste Italiane, in line with the new supervisory standards regarding the contracting out of functions and unbundled accounts, the Board of Directors has approved "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" and, in accordance with these guidelines, the contractual aspects of all the Operating Guidelines governing the conduct of relations between BancoPosta and the functions that provided services to it in 2015. At a number of meetings, the Board examined the criteria used in assessing the costs associated with the activities carried out by Poste Italiane, verifying that they reflect the real contribution to BancoPosta RFC's results.

As described in the "Annual report on the operations contracted out by BancoPosta to Poste Italiane in 2015", prepared by BancoPosta's Internal Auditors, the audits performed on the functionality of the principal Operating Guidelines confirmed their adequacy, with particular reference to the key requirements in Bank of Italy Circular 285;

x) the Board has been in constant contact with BancoPosta's control 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.

The Board has also examined the annual reports of the control functions, expressing its observations pursuant to CONSOB Resolution 17297 of 2010.

Based on the activities carried out, the Board reports that:

i) in 2015, the structure of internal controls was progressively revised, in keeping with changes within the Company, which are still under way; based on an integrated approach, the organisation, conduct and information flows relating to BancoPosta's internal controls were reviewed as part of the above-mentioned wider review of the Company's Internal Control and Risk Management System, in accordance, not only with best practices for listed companies, but also with the requirements in the supervisory standards issued by the Bank of Italy on 27 May 2015;

ii) with regard to control activities contracted out to Poste Italiane functions, the Board of Statutory Auditors, in line with the supervisory standards, examined the costs, risks and benefits of the contract, preparing a specific report to send to the Bank of Italy together with the Operating Guidelines for Key Operating Functions sent to the central bank by the Company for approval;

iii) steps were taken to further reinforce the processes and procedures designed to prevent money laundering, involving a revision of the organisational structure; from July 2015 the Anti-money laundering function, which was formerly part of the Compliance function, reports directly to the Head of BancoPosta with a view to providing greater specialisation and ensuring, in the future, an integrated, coordinated approach to managing the risk in question both at Company and Group level. The new function is also responsible for investigating and assessing suspect transactions, coordinated by the person delegated to report such transactions. This role was previously conducted as part of BancoPosta's operations, with the new arrangement ensuring separation of the personnel involved in carrying out the controls and those engaged in assessing transactions in terms of the risk represented by money laundering;

iv) the Compliance and Risk Management functions have periodically prepared their respective reports on compliance risk and significant risk exposures for BancoPosta, and on the state of progress of the initiatives undertaken as a result of the commitments given to the Bank of Italy, following a general audit and other checks on compliance conducted in 2012, and to the CONSOB in respect of investment services, following the inspection completed in 2014.

With regard to anti-money laundering, partly thanks to an acceleration of the related activities towards the end of 2014 and in early 2015, all the procedural and IT changes included among the list of commitments given to the Bank of Italy following the inspection of 2012 have been implemented. In the period from September to December 2015, the Bank of Italy carried out checks aimed at assessing compliance with obligations relating to the transparency of transactions, the fairness of relations with customers and money laundering. The overall outcome of the checks was "partly favourable", with some areas for improvement in relation to organisational, procedural and IT-related aspects indicated. The overall action plan drawn up by BancoPosta following the checks was submitted to the Board of Directors at its meeting of 22 March 2016.

With regard to investment services, regulated by the Markets in Financial Instruments Directive (MiFID), the initiatives included in the Plan submitted to the CONSOB were carried out in 2015, enabling the Company to strengthen the processes and controls concerning the advisory model and prepare for the rollout of the new "guided" advice service. However, development of the related IT system was halted in December 2015 due to a dispute with a software applications supplier, previously referred to in point f) above. This has meant that completion of the above Plan has not taken place as previously scheduled. In this regard, the Board has continuously monitored the steps taken by the Company to identify the most appropriate solution to the above problem and give the necessary priority to completion of the project.

v) the Risk Management function reported periodically on its monitoring activities and developments affecting BancoPosta's significant risk exposures. At 31 December 2015, indicators of capital adequacy show a high capital ratio (CET1 of 15.5%) and a high level of own funds which, thanks to a reduction in the exposure to interest rate risk, are sufficient to cover the Pillar 2 capital requirement (52.3%) more than two times. The Board has recommended continuous and close monitoring of the key indicators set out in the Company's Risk Appetite Framework ("RAF") for 2016, with particular regard to the leverage ratio and the cost of operational risks.

Finally, it should be noted that, in 2015, a new ICAAP report, no longer prepared on a voluntary basis as in the previous year, was submitted to the Bank of Italy in April 2015, following its approval by the Board of Directors. The report sets out the process followed to assess BancoPosta RFC's capital adequacy, the measurement procedures used and the related indicators at 31 December 2014, in addition to an assessment of the outlook and the environment;

x) with regard to the Business Continuity of financial services, the self-assessment sent to the Bank of Italy in October 2014 described how the Business Continuity Plan and the Disaster Recovery plan for BancoPosta were in operation, covering most of the requirements relating to financial processes of systemic importance and the Company's strategies for financial processes classified as critical. In order to ensure full compliance with the Bank of Italy's supervisory standards, the Company began work on planning the necessary changes to organisational aspects, documents and technologies. The resulting plan was first submitted to the Bank of Italy in November 2015, with progressive implementation of the various changes in 2016 and through to 2017;

y) in compliance with Bank of Italy's supervisory standards, the Board has conducted an assessment of its own adequacy in terms of authority, functionality and composition with the support of a leading consulting firm, disclosing the outcome of its assessment in a specific report.

Opinions issued pursuant to statutory and regulatory requirements

z) During the year, the Board of Statutory Auditors was requested to provide the following opinions:

- in accordance with the Bank of Italy instructions of 10 March 2011 regarding organisational steps, procedures and internal controls designed to prevent money laundering and the financing of terrorism, and on the removal of the previous head of the Company's Anti-Money Laundering function and the subsequent appointment of a new head for this function;
- pursuant to Bank of Italy Circular 285/13, Part 1, Title IV, Chapter 1, Section II, Paragraph 1, on the Corporate Governance Project;
- pursuant to Bank of Italy Circular 263/06, Title V, Chapter 5, Section III, Paragraph 2.2, on the "Guidelines for transactions with related and associated parties".

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 2015, or of the Board of Directors' proposed resolutions.

15 April 2016

Benedetta Navarra – Chairwoman

Nadia Fontana – Auditor

Maurizio Bastoni – Auditor

This certification has been translated from the original which was issued in accordance with Italian legislation.

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INDEPENDENT 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 2015

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Poste Italiane SpA

Report on the consolidated financial statements as of 31 December 2015

We have audited the accompanying consolidated financial statements of the Poste Italiane Group, which comprise the consolidated statement of financial position as of 31 December 2015, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Poste Italiane SpA are responsible for the preparation of consolidated financial statements that give a true and fair view 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Poste Italiane Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of Poste Italiane SpA, with the consolidated financial statements of the Poste Italiane Group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Poste Italiane Group as of 31 December 2015.

Rome, 15 April 2016

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into English from the Italian original 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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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

POSTE ITALIANE SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Poste Italiane SpA

Report on the financial statements as of 31 December 2015

We have audited the accompanying financial statements of Poste Italiane SpA, which comprise the statement of financial position as of 31 December 2015, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Poste Italiane SpA are responsible for the preparation of financial statements that give a true and fair view 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Poste Italiane SpA as of 31 December 2015 and of the result of its operations and cash flows for the year then ended 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of Poste Italiane SpA, with the financial statements of Poste Italiane SpA as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Poste Italiane SpA as of 31 December 2015.

Rome, 15 April 2016

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

Poste Italiane SpA
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