2012 Reports and Financial Statements

2012 Reports and consolidated financial statements

GROUP STRUCTURE

At 31 December 2012 the structure of the Group was as follows:

- Istituto Centrale delle Banche Popolari Italiane S.p.A., the Parent Company, recorded in the National Register of Banks.
- CartaSi S.p.A., a financial company recorded in the Register of Payment Institutions pursuant to Art. 114-septies of the Consolidated Banking Act, in which the Parent Company has a 94.88% stake.
- Help Line S.p.A., a service company in which the Parent Company has a 70% stake.
- Oasi Diagram – Outsourcing Applicativo e Servizi Innovativi S.p.A., a service company, 100% owned by the Parent Company.

SCOPE OF CONSOLIDATION

Besides the Group companies, consolidation of the financial statements of the ICBPI Group at 31 December 2012 includes the following companies:

- Equens SE, in which the Parent Company has a 20% stake.
- Hi-Mtf S.I.M. S.p.A., in which the Parent Company has a 25% stake.

Board of Directors' Report on Group Operations

Dear Shareholders,

DEVELOPMENT OF THE GROUP

2012 saw regular business operations, the approval of the ICBPI Group's 2012-2015 Business Plan, followed by a fast launch of initiatives aimed at its implementation, and the completion of some acquisitions that had been started in the previous year.

Despite the continuing difficult macroeconomic situation, the Group companies have confirmed their positioning and their capacity to compete on the market, while also ensuring quality services for customers and solid returns for their shareholders.

The 2012 financial year ended with a net profit of Euro 90.118 million, compared to a 2011 net profit of Euro 77.103 million. This result further strengthens the capital position of the Group, whose shareholders' equity reached Euro 684.1 million, compared to Euro 582.7 million in 2011.

The closing of the 2012 financial year also saw the conclusion of the 'CartaSi Group 2009-2012 Integration Plan', which was approved by the Board of Directors of ICBPI during the meeting held on 12 June 2009, and was aimed in particular at redefining the ICBPI Group's business structure and e-money strategies following the acquisition of a majority stake in Si Holding (the parent company of the CartaSi Group).

The Plan provided for a significant restructuring process of the Group's business and corporate structure with the aim of achieving growth in operating profit despite the expected reduction in revenues associated with the outflow of the 'vendor banks' (Intesa Sanpaolo, Unicredit, Monte dei Paschi di Siena).

These intense corporate rationalisation and simplification activities led to a reduction in the Group's scope of consolidation from 16 to 6 legal entities; within the Group, the number of companies decreased from 11 to 4.

The work on corporate structures, organisational processes and the cost structure for the implementation of the Plan, and the activities carried out on business and product development have enabled the Group to achieve better economic results in the years 2009-2012 than those envisaged in the Integration Plan, albeit in an economic situation that turned out to be far worse than forecast.

ICBPI GROUP BUSINESS PLAN FOR THE 2012-2015 PERIOD

In April, ICBPI's Board of Directors approved the 2012-2015 ICBPI Group Business Plan, which was then adopted by the Group companies to the extent it applied to them, by resolutions passed by their respective administrative bodies.

In accordance with the guidelines approved by ICBPI's Board of Directors on 28 October 2011, the Business Plan has been developed, based on *'continuity with the approach adopted in the recent past, in line with a mission and positioning that have already been outlined and consolidated, by placing emphasis on strengthening the Group's structure, aiming for balanced growth across our businesses that is consistent with the Group's risk appetite, and looking to boost our service role within the key target market.* Diversification and sustainable innovation opportunities will need to be carefully assessed, by clearly identifying and selecting the priorities to be addressed and the developments to be achieved, *taking account of the Group's capacity to respond and the primary need for consolidation as a result of the rapid growth experienced in the recent past.'*

The Business Plan confirms the Group's two-fold mission as:

- a market operator, as an outsourcer, particularly in the core businesses of e-Money, Payments and Securities Services;
- a system bank, in support of the growth experienced by the banking system, particularly by co-operative and local banks.

With regard to the Group's structure, consistently with the recent past, there will be:

- an operating Parent Company, which will be responsible for the management, coordination and control of the Group, within which the Group's control and support functions and the 'Payments' and 'Securities Services' businesses will be concentrated;
- operating companies specialising in the 'e-Money' and 'Management, Anti-Money Laundering and Control Services' businesses.

From the corporate and business structure point of view, the Plan provides for:

- concentration and integration of activities relating to e-Money, which were handled by CartaSi and Key Client in the original Group structure, into a single company;
- the transfer of the activities performed by Oasi on behalf of pension funds to ICBPI; these will be integrated with the work already carried out on behalf of funds (mutual, pension and real estate) by the relevant Securities Services Centre.

In order to complete the corporate and business restructuring programme, initiatives are in place (already provided for by the development of the prior CartaSi Integration plan) relating to the subsidiaries Iconcard and Si.Re. and the associated company Siteba S.p.A. (to be integrated into the Group's companies after acquisition of a majority stake, after which the company will be dissolved).

As far as operation and monitoring of business activities are concerned, the Business Plan has been developed with a view to consolidating the existing core businesses, in a context characterised by:

- an expected stagnant macroeconomic framework in 2012 and 2013, followed by a slow recovery from 2014 (but with a growth in GDP and consumption of less than 1% per year);
- a target market in which a sharp rise in pressure on prices is expected (linked to regulatory pressures, increases in competition and the commoditisation of services);
- the gradual exit of customers who are former shareholders of CartaSi, Intesa Sanpaolo and Unicredit.

In this context, the Business Plan envisages a significant programme of product renovation and re-launch, which will allow operating income to be maintained at current levels by means of an increase in operations volumes in all sectors, with action being taken in the various competence Centres on the following:

- E-Money: customer retention, development of prepaid cards and innovation (NFC, mobile, contactless payment, e-commerce…);
- Payments: renewal/expansion of product range for banks and the potential development of products for the Civil Service;
- Securities Services: completion of the Depositary bank /Fund Service development programme (including through implementation

of the operating machinery), and development of the Global Custody sector, with the aim of becoming the Target 2 Securities Hub for small- to medium-sized banks;

- Anti-Money Laundering and Management Services: enhancement of specialist expertise to expand the product range.

In addition to the above-mentioned revenue growth programme, interventions have been planned to simplify the corporate structure and reduce unit costs by increasing the efficiency of the operating machinery (both ICT and organisational). Among the initiatives regarding operating machinery, special provision has been made for:

- an ICT enhancement plan, supported by expenditure on development projects and investments of around Euro 60 million within the timeframe of the plan; these are partly covered by savings on sourcing and architecture (expected to be approximately Euro 20 million);
- strengthening the role of the Parent Company in business management and planning, innovation, communication and quality.

Finally, further possible lines of business development/diversification have been outlined; these will be explored with a view to the medium and long term.

ACQUISITION OF A MAJORITY STAKE IN SITEBA S.P.A.

The acquisition process of a controlling interest in Siteba S.p.A., which had been commenced at the end of the previous financial year, was completed in the first half of 2012 through an offer made to the shareholders of Siteba for the purchase of all their shares.

In June, once the authorisations required by regulatory legislation had been obtained and communications to the Italian Competition Authority had been completed, the acquisition of the Siteba shares from those shareholders who had accepted the offer was completed; this allowed ICBPI to acquire 53.23% of the share capital and therefore to control the company (together with the 46.68% share already held by CartaSi and Key Client, this took the Group to 99.91% and, in the following month of July, this share was increased to 100%).

ACQUISITION OF DEPOSITARY BANK ACTIVITIES

In May, following a binding offer presented at the end of 2011, ICBPI entered into an agreement with Banca Popolare dell'Emilia Romagna Soc. Coop, Banco di Sardegna S.p.A., Banca Popolare di Vicenza S.c.p.A., Banca Popolare di Sondrio S.c.p.A. and Banco Popolare Soc.

Coop. for the acquisition of business and custodian agreements relating to the funds managed and/or promoted by Arca Sgr S.p.A. and, in some cases, also relating to funds of customers of these banks. The acquisition of this business was successfully and operationally achieved in mid-July.

This transaction, to which AUCs of approximately Euro 18.1 billion relate (Euro 16.7 billion of which refer to Arca Sgr funds), is a part of the development and completion process of the Securities Services range, which had been started in the recent past to strengthen the System Bank role, with a view to the Group becoming the country's fourth group and the first Italian entity capable of playing a leading role in the evolution towards Target2-Securities.

With specific reference to relations with Arca Sgr, the transaction also completed the process that led to ICBPI being appointed to carry out Subscriber Management, Matching and Settlement and Portfolio Management and Accounting services for all Arca Sgr's funds with effect from 1 January 2012, including calculation of the NAV, and enhancing skills through the intake of 33 employees with specialist skills from Arca.

ICBPI GROUP RESTRUCTURING PROGRAMME

With the approval of the Business Plan, initiatives for its implementation were commenced, in particular the ICBPI Group Restructuring Programme: the overall system of extraordinary transactions, with the aim of creating the Group's new corporate and business structure.

Priority was given to concentrating and integrating the e-Money Centre activities carried out by CartaSi and Key Client into a single company. Concentration was accomplished by means of the merger (pursuant to Art. 2501 et seq. of the Italian Civil Code) of Key Client into CartaSi; the transaction was successfully completed with effect from 1 December 2012, with accounting and tax effects retroactive to 1 January 2012.

As a part of this process, ICBPI exercised its purchase option relating to 608,800 shares of Key Client held by Deutsche Bank, representing 3.80% of the share capital of the company. This right was acquired in 2006 as a part of the operation by which ICBPI purchased a controlling interest in Key Client from Deutsche Bank. The share purchase, which was completed in August, allowed ICBPI to become the sole shareholder of Key Client.

In the meantime, the merger of Iconcard into CartaSi was completed; since this transaction involved the incorporation of a wholly owned company, it did not lead to changes in the share capital of the incorporating company. The merger became effective on 4 July 2012, with accounting and tax effects retroactive to 1 January 2012.

The further restructuring measures provided for in the Business Plan were then carried out.

Integration of the activities carried out by Siteba into the Group companies and the consequent dissolution of the company were achieved by the following steps:

- sale of the ‘Contact Centre’ corporate branch by Siteba to Help Line;
- merger of Siteba into CartaSi pursuant to Art. 2501 et seq. of the Italian Civil Code (as a result of the merger of Key Client).

The sale of the corporate branch was completed with effect from 1 October 2012.

The merger was carried out in accordance with the provisions of Art. 2505 of the Italian Civil Code (merger of a wholly-owned company) by first transferring the Siteba shares held by ICBPI and Key Client to CartaSi; this transaction was completed with effect from 31 December 2012, with accounting and tax effects retroactive to 1 January 2012.

Finally, the transfer of the activities performed by Oasi on behalf of pension funds to the Parent Company was implemented with effect from 1 January 2013 by a partial spin-off (by incorporation) of the portfolio of Oasi attributable to the business in question to ICBPI, pursuant to Art. 2506 et seq. of the Italian Civil Code. The spin-off was accomplished by using the simplified procedure provided for in Art. 2505 of the Italian Civil Code, since ICBPI is the sole shareholder of Oasi.

In December 2012, the liquidation of the subsidiary company Si.Re. Ltd. was also concluded.

In the first half of 2012, a ‘rebalancing’ of the shareholding structure of the associated company Hi-Mtf Sim was carried out through the transfer of 0.75 million shares (representing 15% of the share capital), which were distributed equally among the other shareholders: Banca Aletti, Banca Sella Holding and Iccrea Banca (all of which, like ICBPI, now own a 25% stake).

GOVERNANCE AND CONTROL STRUCTURES

As far as governance is concerned, it should be noted the approval by the Board of Directors on 9 March 2012 of the self-assessment process for the effectiveness, efficiency and functionality of corporate bodies, with special attention paid to the procedures by which risks are managed and governed, in implementation of the Bank of Italy's Circular dated 11 January 2012, entitled '*Application of supervisory requirements relating to banks organisation and corporate governance*'.

Following the entry into force of the prohibition against holding similar positions in competing groups contained in Art. 36 of Legislative Decree 201/2011 (the so-called 'Save Italy' plan), in November the Board of Directors approved proposed amendments to the Articles of Association to adopt a governance structure (by establishing the role of Managing Director) to ensure the independence of ICBPI's management department from the activities of direction, supervision or control by representatives of the partner banks.

In relation to the inspection conducted by the Bank of Italy between January and April 2011 it is noted that the file was closed in June 2012 without the application of any sanctions.

TRANSACTIONS WITH RELATED PARTIES

As is known, the regulation of transactions with related parties aims to limit the risk that the proximity of certain parties (the so-called 'related parties') to the company's decision-making centres might undermine objective and impartial corporate decisions, resulting in potential distortions in the allocation of resources, exposing the company to risks that are not duly measured or supervised and potential damage to the company itself and its stakeholders.

Since September 2011, the ICBPI Group has had Regulations on Transactions with Related Parties (also approved by the Group Companies) in place. In June 2012, these were revised to implement the final version of the Bank of Italy's regulations on 'Risk activities and conflicts of interest regarding Related Parties' (Title V, Chapter 5 of Bank of Italy Circular no. 263), issued on 12 December 2011. Specific direct implementing rules were therefore drafted to define, *inter alia*, certain operational issues regarding the proper management of transactions with related parties, to optimise monitoring and management of the relevant positions in compliance with limits on the risk activities with related parties, and to identify the relevant levels of powers of authorisation.

INTERNAL AUDIT SYSTEM OF THE GROUP

Enhancement of audit activities in 2012 focused on the following areas:

- the 'Project for Development of the Internal Audit System of the ICBPI Group', which saw the creation by the various audit departments of an integrated mapping of risks and audits over a 'pilot area' identified within the e-money sector. In addition, as a part of the development of the project, specific areas pertaining to the integration of the internal audit system were identified to secure the adoption by the various audit departments of the same reporting standards and management processes for critical issues and the integrated presentation of mitigation actions to top management;
- creation of a *Tableau de Bord* aimed at an integrated representation of the findings of the audit departments and the related mitigation actions, to allows Top Management to have an overall view of the main critical issues to which the Group is exposed, and of the progress of the related corrective actions;
- introduction of the Chief Risk Officer, who oversees the Risk Management, Compliance and Anti-Money Laundering departments;
- consolidation of the centralised Group Audit, Compliance and Risk Management departments, while further boosting the quality of staff employed therein and introducing the CRO.

RISK GOVERNANCE

With regard to risk governance, the Risk Appetite Framework (process and metrics) was adopted during the period, and a new Operational Risk framework was put in place, which includes the new Operational Risk Policy, a review of RCSA method and the new Loss Data Collection method, which focuses on the governance of risk identification and on the adoption of appropriate IT systems to support this process.

The measurement methods, systems and processes and reporting activities of the business risks to which the ICBPI Group is exposed continued to be fine-tuned, in particular:

- with regard to operating risk, the annual assessment cycle of operating risks (RCSA) on the business processes of the Parent Company and subsidiaries was completed. Particular attention was paid to the processes managed by the Securities Services Department, and specifically to the analysis of Depositary bank activities, building a new second-level reporting structure;
- with regard to the e-money sector, a new framework was set up to

monitor fraud and credit risk, and monitoring of the new indicators related to acquiring risk and prepaid cards was implemented;

- with regard to credit and counterparty risks, monitoring of transactions with related parties was implemented;
- with regard to market risk, the method for calculating VaR was fine-tuned and the relevant reporting system was automated;
- with regard to liquidity risk, analysis of Basel III indicators monitoring was intensified, and daily monitoring of the Cumulative Balance relating to the most critical daily liquidity situation was introduced.

ICBPI GROUP ORGANISATIONAL ARRANGEMENTS

With regard to organisation, 2012 saw a number of interventions relating to both the review of structures and the reorganisation of activities.

In the case of the Parent Company, these interventions related in particular to:

- a redefinition of the Compliance Service's responsibilities, assigning to it the Group Anti-Money Laundering Department and anti-money laundering operations;
- the establishment of a Committee at the Parent Company pursuant to Art. 36 of Legislative Decree 201/2011 with the power to decide on issues of possible overlapping with partner banks (issuing, acquiring and depositary bank), thereby preventing possible interference in company management by representatives of the shareholders.

Following the incorporation of Key Client, CartaSi adopted a new organisational structure divided into four departments: a single marketing department for all business lines, two operations departments - one for issuing/acquiring and the other for POS/ATMs - and a governance and support department.

The extent of the powers of the Managing Director of CartaSi was widened by the allocation of exclusive powers in relation to the handling and management of subjects (issuing and acquiring) which may lead to a potentially competitive relationship with ICBPI's and CartaSi's partner banks.

In the first half of the financial year, the new version of the Organizational Model pursuant to Legislative Decree 231/01, which implements all the organisational changes made in 2011, became operational for each Group company.

HUMAN RESOURCES

With regard to human resources, Group employees at 31 December 2012 totalled 1,881, compared to 1,806 at 31 December 2011, with the following distribution over the individual companies:

	ICBPI				OASI				Key Client				CartaSi			
	dec-11		dec-12		dec-11		dec-12		dec-11		dec-12		dec-11		dec-12	
	units	FTE	units	FTE	units	FTE	units	FTE	units	FTE	units	FTE	units	FTE	units	FTE
Top managers	35	35,0	37	37,0	7	7,0	7	7,0	6	6,0	---	---	12	12,0	16	16,0
Middle managers	301	296,5	320	315,0	34	34,0	34	34,0	45	44,5	---	---	126	124,1	178	175,8
White collars	386	367,1	416	395,5	63	61,1	65	62,5	150	140,7	---	---	183	170,8	350	326,8
Fixed term contracts	8	8,0	9	9,0	1	1,0	1	1,0			---	---	2	2,0		
Total	730	706,5	782	756,5	105	103,1	107	104,5	201	191,3	---	---	323	309,0	544	518,6

	Help Line			
	dec-11		dec-12	
	units	FTE	units	FTE
Top managers	2	2,0	3	3,0
Middle managers	11	11,0	11	11,0
White collars	342	286,3	347	290,2
Fixed term contracts	92	64,7	87	67,0
Total	447	364,0	448	371,2

	Gruppo ICBPI			
	dec-11		dec-12	
	units	FTE	units	FTE
Top managers	62	62,0	63	63,0
Middle managers	517	510,1	543	535,8
White collars	1.124	1.026,1	1.178	1.074,9
Fixed term contracts	103	75,7	97	77,0
Total	1.806	1.673,9	1.881	1.750,7

INFORMATION ON STAFF AND THE ENVIRONMENT

With regard to labour relations, three agreements were signed in April, June and December 2012 on the harmonization of the main treatment of Group staff, with particular reference to supplementary pension schemes, leaves and working hours.

In the light of the numerous legislative changes in social security matters, which resulted in the need to extend the date of access to the benefits of the Joint Liability Provision beyond 2012 (the expiry date specified in the trade union agreement of 3.2.2010), an agreement was signed in December extending access to the Joint Liability Provision to 2013, 2014 and 2015.

As far as health and safety are concerned, the Risk Assessment Documents for all Group companies have been updated, in addition to the above-mentioned Organisation and Management Model (MOG 231/01).

With regard to training, the Group Training Programme ‘Developing Integration and Communication in the ICBPI Group’ was designed for 2012, which capitalised on the results of the courses/training provided in the prior two years.

In 2012, a total of 54,580 hours of training was provided, of which 11,749 were mandatory training, 32,675 specialist training and 10,157 management training, with an average of about 3.8 man-days on a total of 1,881 employees.

COMMUNICATION AND EXTERNAL RELATIONS

The institutional and marketing communication activities included the following in particular:

- organisation of the conference: 'Co-operative Banks and Enterprises for the competitiveness of territorial systems', held in Bologna, which brought together representatives from the national and international banking worlds and representatives of the Bank of Italy and the Italian Banking Association (ABI);
- the Conference: 'E-Money 2.0-12', held in Naples, promoted and organised by the subsidiary companies CartaSi and Key Client;
- attendance at events promoted by other institutions (ABI, Swift, EBA, CONFINDUSTRIA, etc.) and dedicated to providing an in-depth analysis and dialogue on the regulatory, technological and framework developments seen in the various business areas of relevance: Payments, Securities Services and E-Money.

TREASURY SHARES

It is noted that there was no treasury share trading activity during the period.

Consequently, the ICBPI portfolio currently has 75,191 treasury shares, for a par value of Euro 3.00 each, with a non-distributable reserve of Euro 32,196.

PERFORMANCE OF THE PARENT COMPANY AND THE GROUP COMPANIES

There follow the results of the Financial Statements and the initiatives of the Parent Company and the Subsidiary companies (CartaSi, Help Line, Oasi, subject to management and coordination by ICBPI) and of the main investee companies (Hi-Mtf Sim and Equens SE included within the scope of consolidation) now follow.

ICBPI S.P.A.

ICBPI recorded a net profit for the year of Euro 75.0 million, up by Euro 12.7 million compared to 2011. Gross consolidated profit amounted to Euro 115.1 million, compared Euro to 72.7 million in the previous year. Shareholders' equity amounted to Euro 642.4 million, compared to Euro 543.2 million in 2011 (+18.27%), while a total capital ratio of 24.48% was recorded, compared to 32.36% of the previous year.

CARTASI S.P.A.

This company, in which ICBPI holds 94.88% of the share capital, ended its financial year with a Net profit of Euro 64.5 million; in the previous year, it reported a Net profit of Euro 36.7 million. This sharp increase compared to 2011 is mainly due to the incorporation of Key Client with effect from 1 January 2012.

The main economic indicators for 2012, compared to those of 2011, primarily reflected the effects of this merger:

- the profit & loss account at 31 December 2012 shows an operating profit of Euro 98.1 million, approximately 49.5% higher than the previous year;
- interest income stood at Euro -15.4 million, an improvement of 43.3%;
- net commissions (Euro 294.5 million) recorded an increase (+11.7%);
- payroll and related costs amounted to Euro 42.0 million (+62.4%);
- other administrative expenses (Euro 314.2 million) showed an increase (+38.6%);
- other operating income and expenses (Euro 196.5 million) showed strong growth (+112.2%).

A comparison of the actual business results posted for 2012 with those projected in the 2012-2015 Business Plan highlighted an upswing on a like-for-like basis, with EBIT around 7% higher than forecast.

The Balance Sheet reflects the trends registered by the business and shows a number of changes compared to 2011. These, too, are mainly attributable to the incorporation of Key Client effective from 1 January 2012 (growth of tangible assets, other assets, other liabilities).

In particular it is noted that:

- receivables (Euro 2,584.6 million) decreased due to lower spending volumes of cardholders;
- Equity Investments were written off as a result of the incorporation of Iconcard S.p.A.;
- Payables (Euro 2,035.1 million) decreased due to a fall in borrowing requirements, in keeping with the contraction registered by Receivables;
- Provisions for risks and charges (Euro 23.3 million) also grew overall as a result of extraordinary transactions (incorporation of Key Client and Siteba);
- Shareholders' Equity amounted to Euro 463.8 million, a strong growth mainly due to the incorporation of Key Client.

Business performance is summarised below in relation to the three main business lines of the Company, including those from Key Client:

- issuing and acquiring activities licensed directly from CartaSi;
- servicing activities for third-party licensee issuers and acquirers;
- management of POSs e ATMs.

Directly licensed issuing and acquiring activities

- the company's card business slightly contracted by 0.4% compared to 2011, closing the year with 6.0 million cards, due to a growth in the issue of new cards (about 958 thousand), which substantially offset the continuation of outflows of those Banking Group that were previously company shareholders to proprietary products;
- the product composition of new issues in 2012 and consequently the stock of cards at year-end recorded a significant increase in the weight of prepaid cards;
- total cardholder expenditure amounted to approximately Euro 22.7 billion, a decrease of 5.8% compared to 2011, due both to the outflow of the card business and the economic downturn. The increasing weight of prepaid products on the card business, which are characterised by a limited annual average expenditure, also affected this trend;
- average card expenditure, which remains among the highest in the target market, was lower than the previous year as a result of the above-mentioned dynamics;
- the volumes of negotiated acquisitions totalled around Euro 42.5 billion, an increase of 3.4% compared to 2011 despite the outflow of Banks that were previously company shareholders and increasing competitive pressure in the sector;
- the increase in the transaction volumes was also reflected in an increase (+3.3%) in the number of transactions managed.

Servicing activities

- the stock of credit cards managed on behalf of third party issuers under their own licences reached a value of approximately 3.8 million cards (+5.6% compared to 2011), while the stock of prepaid cards, amounting to over 1.3 million, grew by 36% compared to last year due to the increasing penetration of the product among payment instruments;
- the number of managed functions for debit cards stood at 19.4 mil-

lion for domestic debit cards (+11.1% versus 2011) and 6.9 million for international debit cards (+8% compared to 2011);

- managed acquiring volumes amounted to Euro 7.9 billion, a growth of 0.6% compared to 2011; the number of transactions (105.6 million) was in line with the figure for last year (-0.5%).

Terminal management activities

- the number of e-commerce (9,400 terminals) and physical (472 thousand terminals) POS grew; in particular, the number of virtual POS saw a sharp increase compared to 2011 as a result of the expansion of the e-commerce sector;
- managed ATMs reached approximately 10,000, a slight decrease compared to the figure for last year (-1.6%) due to the rationalisation and closing of branches by certain Banking Group customers.

HELP LINE S.P.A.

The subsidiary Help Line S.p.A., of which ICBPI holds 70% of the share capital, recorded a net profit of Euro 2.3 million at 31 December 2012, compared to Euro 1.9 million at 31 December 2011.

The result of current operations before taxes is Euro 2.8 million, and shows in particular administrative expenses (Euro 31.8 million), amortisation and depreciation (Euro 787 thousand), and other operating income and expenses (Euro 34.5 million). Revenues amounted to Euro 34.7 million. Income taxes amounted to Euro 593 thousand. Shareholders' equity, including net profit for the year, totalled Euro 8 million.

In the period, we note the acquisition of the Siteba S.p.A. Call Centre company branch with effect from 1 October 2012. This transaction, which was a part of the wider process of reorganisation of the ICBPI Group described in the 2012-2015 Business Plan, was designed to concentrate all Group Contact Centres in Help Line S.p.A. The acquired branch relates to telephone support services for POS management activities, and has allowed consolidation of the positions gained in terms of market share for POS support (the company currently manages POS support for 50% of the devices installed).

During the year, the company increased the contacts managed relating to the services rendered beyond the budget forecast, the primary goals being efficiency, quality and innovation.

Operating costs remained constantly under control and, at the same time, the company continued to invest in technological infrastructure and in projects to improve the organisational processes needed to guarantee and improve service quality and continuity.

OASI - DIAGRAM S.P.A.

The subsidiary Oasi S.p.A., of which ICBPI holds 100% of the share capital, recorded an operating profit totalling Euro 4.747 million, in line with the 2012 budget.

Operating income amounted to Euro 24.339 million, in line with 2011, while operating costs amounted to Euro 19.592 million, compared to Euro 18.835 million of the previous year (+4.02%). The above-mentioned costs are also due to the investments made to adapt the company's infrastructure to the wider range of outsourced services, as well as the development of new software.

Current prepaid taxes of Euro 1.555 million led to a net profit of Euro 3.091 million, which is in line with the budget and reflects an increase compared to 2011 (10.98%). Shareholders' equity, including net profit for the year, thus totalled Euro 17.563 million, compared to Euro 16.572 million in 2011.

The company, which operates on behalf of banks, insurance companies, asset management companies and other companies, providing services and products in the area of anti-money laundering, compliance, supervisory authority reporting and pension funds, achieved important results, including designing and implementing new activities. In particular:

- for anti-money laundering purposes, new application modules were designed and developed to integrate the GIANOS® system, which will permit compliance with the Bank of Italy's provisions in the area of customer due diligence, as well as with methods for anomalous behaviour detection in the operations connected with international tax fraud. A new service known as GIANOSCOM has been developed for web management of regulatory compliance by professionals;
- in the area of supervisory authority reporting, internal rating models tailored to large banking groups have been designed and implemented using the advanced IRB (Internal Rating Based) method for calculating capital requirements for credit risk which will, following validation from the Bank of Italy, allow significant savings to be made to the regulatory capital;
- with regard to pension funds, the Fondip New administrative management product was completed. This is aimed at the full service market, and has the advantage of reducing the staff devoted to operations and benefitting from new features for document management of files, the reconciliation of contributions and collections, and full outsourcing of the complete performance of services.

OTHER COMPANIES INCLUDED WITHIN THE SCOPE OF CONSOLIDATION

Financial Statement highlights for the other investee companies included within the scope of consolidation follow below.

EQUENS SE

Equens SE, in which ICBPI holds a 20% stake, ended the year with a net profit of approximately Euro 20.2 million, compared to a profit for 2011 of Euro 19 million. This result further strengthens the Equens Group's capital position, with equity reaching Euro 341 million.

2012 consolidated EBIT for the Equens Group is approximately Euro 25.1 million, in line with 2011. The operating performance was primarily the result of:

- completion of the EEF (Ensure Equens Future) initiative, launched in April 2011 to achieve substantial savings in operating costs. The full effect of these savings will be evident in 2013.
- a further increase in transaction volumes, which exceeded 10.4 billion in the payments sector in 2012 (+4% vs. 2011) and 4.4 billion in the card sector (+8% vs. 2011).
- a further tightening of competitive dynamics with important effects on the prices of processing services to customers in the Equens SE parent company.
- a need to continue upgrading applications, infrastructure and organisation at a Group level, including to support the quality of services provided.

During 2012, the Equens Group also continued its development of the service and customer portfolio, implementing further commercial projects in a number of European countries, including Germany, Bulgaria, Belgium and Hungary.

With regard to intra-group integration, important milestones were reached in 2012 in terms of both payments (migration of SCT processing from Italy to Germany) and technological infrastructure (migration of MF systems from Holland to Italy).

In addition, during 2012, the Equens Group began an innovative pilot project in the mobile payments sector in Germany, in collaboration with DZ Bank, iZettle and Deutsche Telekom.

HI-MTF SIM S.P.A.

The company, in which ICBPI holds a 25% stake (the other shareholders, each with a 25% stake, are Banca Aletti, Banca Sella Holding and Iccrea Banca) ended 2012 with a net profit of Euro 428,201.

Among the significant events in 2012, which was the fourth full year of business for the Market managed by Hi–Mtf, the following should be noted:

- The number of securities listed in the ‘quote-driven’ market, which totalled 751 at the beginning of 2012, increased to 818. The ‘order-driven’ market for bonds saw an increase from 900 to 1508 bonds.
- The value traded on the Hi-Mtf in the ‘quote-driven’, ‘order -driven bond’ and ‘Internalisers’ segments were equal to Euro 26,343,900,118.
- 749,277 contracts were traded in 2012, compared to 706,539 in 2011 (+6.05%).
- As of 1 May, the company adopted the guidelines issued by the European Securities Market Authority (ESMA/2012/122) on highly-automated trading systems linked to market platforms.
- In June, Banca Akros became the fifth Market Maker in the Quote-Driven market, and in October became a direct Member of the Order-driven segment.
- On 4 October, to conclude the application begun at the ECB in the previous year, Hi-mtf was accepted by the ECB as an eligible market for Eurosystem refinancing operations.
- December represented absolutely the best ever result for Hi-mtf in terms of values traded.

Dear Shareholders,

FINANCIAL STATEMENT HIGHLIGHTS

A summary of the consolidated results recorded in the accounts at 31 December 2012 is provided below.

Consolidated balance sheet

(amounts in million of Euro)

ASSETS	31/12/2012	31/12/2011
Financial assets held for trading	244.1	264.2
Financial assets held to maturity	107.6	135.5
Available-for-sale financial assets	1,930.3	1,122.2
Receivables from banks	1,724.6	1,102.2
Receivables from customers	3,152.4	2,920.8
Equity investments	114.1	130.3
Fixed assets	317.0	271.9
Other assets	782.5	1,128.0
Total assets	**8,372.6**	**7,075.1**

(amounts in million of Euro)

LIABILITIES	31/12/2012	31/12/2011
Payables to banks	3,162.3	2,828.6
Payables to customers	3,100.6	2,340.8
Financial liabilities held for trading	29.1	22.2
Outstanding securities	10.0	10.0
Other liabilities	1,194.3	1,115.2
Employee severance indemnities	21.6	20.7
Provisions	54.3	47.0
Shareholders'equity	684.1	582.7
Minority interests	26.3	30.7
Profit for the year	90.1	77.1
Total liabilities	**8,372.6**	**7,075.1**

The balance sheet at 31 December 2012 also includes the assets and liabilities of Siteba, which has been merged into CartaSi, and which the Group acquired control of at the end of the first half of 2012.
The balance sheet figures at 31 December 2012 show ‘total assets’ of

Euro 8,372.6 million, compared to Euro 7,075.1 million at 31.12.11.

In particular, a breakdown of the items that make up total assets shows that:

- **'financial assets held for trading'** amounted to Euro 244.1 million, compared to Euro 264.2 million at 31.12.11;
- **'financial assets held to maturity'** totalled Euro 107.6 million, compared to Euro 135.5 million at 31 December 2011, and mainly consist of bank bonds. This decrease is due to the repayment of certain securities at maturity;
- **'available-for-sale financial assets'** totalled Euro 1,930.3 million, compared to Euro 1,122.2 million in the previous year. The increase in available-for-sale assets mainly refers to the purchase of Government bonds;
- **'receivables from banks'** totalled Euro 1,724.6 million, compared to Euro 1,102.2 million in the previous year. The increase was largely due to increased use on correspondence current accounts;
- **'receivables from customers'** totalled Euro 3,152.4 million, compared to Euro 2,920.8 million in 2011. The increase is mainly due to an increase in funds relating to Depositary bank activities as well as greater commitments through repos;
- **'equity investments'** amounted to Euro 114.1 million, compared to Euro 130.3 million at 31.12.11. The decrease mainly relates to a write-down of the investee Equens SE for Euro 11.4 million, a decrease due to the consolidation of Siteba for Euro 4.2 million, and the sale of a block of Hi-MTF shares for Euro 0.7 million. The value at 31 December 2012 is therefore made up of Equens SE in the amount of Euro 112.8 million and the investee Hi-MTF in the amount of Euro 1.3 million;
- **'tangible and intangible fixed assets'** totalled Euro 317.0 million, compared to Euro 271.9 million at 31.12.11. The change is due to the acquisition of the Depositary bank Customer Contracts and to the depreciation and amortisation for the period, in addition to the adjustment to the Banca Carige Customer Contract as recorded in the Impairment Test for an amount of Euro 4.4 million;
- **'other assets'** totalled Euro 782.5 million, compared to Euro 1,128.0 million, and consist of 'cash and cash equivalents' of Euro 181.3 million, 'tax assets' totalling Euro 61.3 million, of which prepaid taxes totalled Euro 59.8 million, and 'other assets' of Euro 539.9 million. The decrease recorded by this item was mainly due to the

lower deposit held with the Bank of Italy at 31 December 2011.

As for liability items:

- **'payables to banks'** totalled Euro 3,162.3 million, compared to Euro 2,828.6 million at 31.12.11. The increase was mainly due to increased collection on correspondence current accounts;
- **'payables to customers'** totalled Euro 3,100.6 million, compared to Euro 2,340.8 million in the previous year. The increase was mainly due to increased collection through repos in force at year-end;
- **'financial liabilities held for trading'** totalled Euro 29.1 million, compared to Euro 22.2 million at 31.12.2011;
- **'outstanding securities'** amounted to Euro 10.0 million, unchanged on 31.12.2011 and relating to the bond loan issued;
- **'other liabilities'** totalled Euro 1,194.3 million, compared to Euro 1,115.2 million in 2011, broken down into 'tax liabilities' of Euro 48.7 million, of which deferred taxes amounting to Euro 33.7 million, and 'other liabilities' amounting to Euro 1,145.6 million. The increase in other liabilities is due to larger amounts held on suspense accounts at year-end and relating to the execution of payment orders which were then settled in the following days;
- **'employee severance indemnities'** totalled Euro 21.6 million compared to Euro 20.7 million in the previous year. The increase is mainly due to Siteba's employee severance indemnities;
- **'provisions'** totalled Euro 54.3 million, compared to Euro 47.0 million at 31.12.11;
- **'Group shareholders'** equity' amounted to Euro 684.1 million, compared to Euro 582.7 million at 31.12.11, and includes the allocation of profit for 2011 and the increase in the Valuation reserve.
  In particular, the AFS reserve increased by Euro 38.7 million, mainly due to improved market valuations of Italian Government bonds;
- **'minority interests'** totalled Euro 26.3 million, compared to Euro 30.7 million at 31.12.11. The decrease is due to the purchase of major shares of the subsidiary CartaSi.

To these values must be added the consolidated net profit for the year of Euro 90.1 million, the breakdown of which is set out in the 'Profit & Loss Account' statements.

Consolidated profit & loss account

ICBPI Group - Profit & Loss Account			
Amounts at 31 December YTD (€/000)	**Year 2012**	**Year 2011**	**% Change**
Net comm. and rev. from services	569,362	582,979	- 2.3%
Interest income	87,005	21,369	307.2%
Inc. from securities and forex trans.	9,388	9,774	- 3.9%
Dividends and other income	2,124	1,521	39.7%
Operating income	**667,879**	**615,643**	**8.5%**
Payroll and related costs	- 127,758	- 121,870	4.8%
Production costs	- 102,232	- 103,618	- 1.3%
ICT costs	- 145,600	- 133,451	9.1%
General expenses	- 83,341	- 75,319	10.7%
Administrative expenses	**- 458,931**	**- 434,258**	**5.7%**
Amortisation and depreciation	- 24,281	- 24,431	- 0.6%
Other income and expenses	5,858	8,845	- 33.8%
Operating provisions	- 18,835	- 34,104	- 44.8%
Operating costs	**- 496,188**	**- 483,948**	**2.5%**
Operating profit	**171,691**	**131,695**	**30.4%**
Profit from equity inv. and AFS	- 6,900	- 1,517	354.7%
Other components	- 10,343	- 1,228	742.4%
Income taxes	- 59,941	- 47,724	25.6%
Loss from minority interests	- 4,389	- 4,122	6.5%
Net profit for the Group	**90,118**	**77,103**	**16.9%**

The consolidated results are shown based on the Profit & Loss Account entries reported below.

Consolidated Profit & Loss account has been compared to the consolidated figures recorded on 31 December 2011.

It should be noted that the scope of consolidation changed as a result of the acquisition of control of Siteba, which contributed to the consolidated profit & loss account from the second half of 2012.

The consolidated profit & loss account at 31 December 2012 shows a net profit of Euro 90,118 million, compared to Euro 77,103 million at 31 December 2011.

In particular:

- **'net commissions and revenues from services'** totalled Euro 569.362 million, compared to Euro 582.979 million at 31 December 2011 (-2.3%).
- **'Interest income'** amounted to Euro 87.005 million, compared to Euro 21.369 million in the previous year (+307.2%).
- **'income from securities and foreign exchange transactions'** amounted to Euro 9.388 million, compared to Euro 9.774 million at December 2011. The result shown includes exchange gains of Euro 1.567 million;
- **'dividends and other income'** amounted to Euro 2.124 million, compared to Euro 1.521 million, recorded on the same date of the previous year.

The total of these items results in **'operating income'** of Euro 667.879 million, compared to Euro 615.643 million at 31.12.2011 (+8.5%).

Further items include:

- **'administrative expenses**' totalled Euro 458.931 million, compared to Euro 434.258 million at 31 December 2011 (+5.7%).

  In detail:

  - **'payroll and related costs'** totalled Euro 127.758 million, compared to Euro 121.870 million in the previous year (+4.8%). This increase is due to the change in the scope of consolidation in the first half of 2012 relating to the Fund Services activity.
  - **'production costs'** totalled Euro 102.232 million, compared to Euro 103.618 million at 31.12.2011 (-1.3%);
  - **'ICT costs'** totalled Euro 145.600 million, compared to Euro 133.451 million at 31.12.2011 (+9.1%). This increase is primarily linked to projects related to Securities Services activities.
  - **'general expenses'** totalled Euro 83.341 million, compared to Euro 75.319 million at 31.12.2011 (+10.7%).
- **'depreciation and amortisation'** amounted to Euro 24.281 million, compared to Euro 24.431 million at 31 December 2011 (-0.6%);
- **'other income and expenses'** amounted to Euro 5858 million, compared to Euro 8.845 million in the consolidated profit & loss account at 31 December 2011 (-33.8%);

- **'operating allocations'** amounted to Euro 18.835 million, compared to Euro 34.104 million at 31 December 2011 (-44.8%).

These items result in total **'operating costs'** amounting to Euro 496.188 million, compared to Euro 483.948 in the consolidated profit & loss account at 31 December 2011 (+2.5%).

Consequently, the **'operating profit'** amounted to Euro 171.691 million, compared to Euro 131.695 million in the consolidated profit & loss account at 31 December 2011 (+30.4%).

To the **'operating profit**' must be added **'Losses from equity investments and AFS'** of Euro 6.9 million, and **'Other components'** negative for Euro 10.343 million.

In detail, gains from equity investments and AFS are represented by a positive contribution from Equens and Hi-MTF, net of dividends, of Euro 2.233 million, the positive effect of the first consolidation of Siteba of Euro 6.235 million, the write-down of shares in the Fondo Italiano Investimenti for Euro 3.954 million and the write-down of the equity investment of Equens Se of Euro 11.419 million.
The other components are represented by Depositary bank Customer Contracts amortisation of Euro 5.082 million, adjustments on Depositary bank intangible assets of Euro 4.450 million, LTI charges of Euro 0.908 million, actuarial adjustments of severance indemnities, negative for Euro 0.721 million and from the release of Euro 0.819 million positive provisions.

After taxes of Euro 59.941 million and profit attributable to minority interests of Euro 4.389 million, we are left with a **'net profit for the Group'** of Euro 90.118 million, compared to Euro 77.103 million at 31 December 2011 (+16.9%).

A tax credit of Euro 5.8 million arising from the application of the 'Save Italy' decree (deduction of IRAP for IRES purposes for the last 5 years) has been recorded in the taxes item.

OUTLOOK

In 2013, the ICBPI Group intends to continue with the implementation of its strategies to improve market penetration and increase profitability, while further bolstering its position within its key markets, in accordance with defined risk policies.

RATING

On 30 November 2012, Standard & Poor's confirmed a rating of 'BBB/A-3 with a negative outlook' for ICBPI. The negative outlook reflects the risk of a deterioration in macroeconomic conditions in Italy and therefore of the conditions under which banks operate.

EVENTS AFTER THE REPORTING PERIOD

By a note dated 8 February 2013 delivered on 12 February, the Bank of Italy ordered an inspection on the Parent Company and CartaSi pursuant to Art. 47, paragraph 1 of Legislative Decree 231 of 21 November 2007.

In January an agreement was finalised with three partner banks of Unione Fiduciaria S.p.A. to increase the equity investment in Unione Fiduciaria S.p.A. from the current 2.8% to 24% of the share capital (the threshold fixed by the company's Articles of Association).

This transaction is a part of the initiatives identified in the Business Plan for the possible development/diversification of the Group's business, since it is especially aimed at increasing direct supervision over the value chain of Securities Services through agreements/extraordinary transactions with Unione Fiduciaria, which is ICBPI's key outsourcer for fund services activities (Depositary bank, Portfolio management and accounting, including calculation of the NAV, Subscriber management, Matching and Settlement).

Milan, 15 March 2013

THE BOARD OF DIRECTORS

Consolidated financial statements
at 31 December 2012

CONSOLIDATED BALANCE SHEET

	ASSETS	31/12/2012		31/12/2011	
10.	**Cash and cash equivalents**		**181,252**		**570,327**
20.	**Financial assets held for trading**		**244,070**		**264,174**
40.	**Available-for-sale financial assets**		**1,930,284**		**1,122,243**
50.	**Financial assets held to maturity**		**107,597**		**135,500**
60.	**Receivables from banks**		**1,724,592**		**1,102,244**
70.	**Receivables from customers**		**3,152,445**		**2,920,791**
100.	**Shareholdings**		**114,102**		**130,259**
120.	**Tangible assets**		**167,619**		**164,072**
130.	**Intangible assets**		**149,392**		**107,782**
	of which goodwill	77,331		77,331	
140.	**Tax assets**		**61,300**		**66,654**
	a) current	1,524		80	
	b) prepaid	59,776		66,574	
150.	**Non-current assets and groups of assets being disposed of**		**-**		**4,070**
160.	**Other assets**		**539,942**		**486,989**
	Total assets		**8,372,595**		**7,075,105**

(Thousands of Euro)

LIABILITIES			31/12/2012		31/12/2011
10.	**Payables to banks**		**3,162,271**		**2,828,648**
20.	**Payables to customers**		**3,100,604**		**2,340,773**
30.	**Outstanding securities**		**10,018**		**10,032**
40.	**Financial liabilities held for trading**		**29,050**		**22,213**
80.	**Tax liabilities**		**48,663**		**39,794**
	a) current	14,981		15,094	
	b) deferred	33,682		24,700	
100.	**Other liabilities**		**1,145,623**		**1,075,425**
110.	**Employee severance indemnities**		**21,575**		**20,736**
120.	**Provisions for risks and charges**		**54,273**		**47,016**
	a) pensions and similar obligations	1,178		1,183	
	b) other provisions	53,095		45,833	
140.	**Valuation reserves**		**60,628**		**21,903**
170.	**Reserves**		**432,738**		**370,023**
180.	**Share premium**		**148,242**		**148,242**
190.	**Capital**		**42,557**		**42,557**
200.	**Treasury shares (-)**		**-32**		**-32**
210.	**Minority interests (+/-)**		**26,267**		**30,672**
220.	**Profit (Loss) for the year (+/-)**		**90,118**		**77,103**
	Total liabilities and shareholders' equity		**8,372,595**		**7,075,105**

(Thousands of Euro)

CONSOLIDATED PROFIT & LOSS ACCOUNT

PROFIT & LOSS ACCOUNT		2012		2011	
10.	**Interest receivable and similar income**		**121,127**		**81,143**
20.	**Interest payable and similar expenses**		**-34,125**		**-59,758**
30.	**Interest income**		**87,002**		**21,385**
40.	**Commission income**		**978,884**		**998,569**
50.	**Commission expenses**		**-621,803**		**-612,514**
60.	**Net commissions**		**357,081**		**386,055**
70.	**Dividends and similar income**		**188**		**200**
80.	**Net trading profit**		**9,570**		**9,667**
100.	**Profit (loss) on disposal or buy-back of:**		**115**		**87**
	b) available-for-sale financial assets	115		87	
120.	**Net banking income**		**453,956**		**417,394**
130.	**Net adjustments due to impairment of:**		**-6,730**		**-7,747**
	a) receivables	-2,777		-6,303	
	b) available-for-sale financial assets	-3,953		-	
	c) financial assets held to maturity	-		-634	
	d) other financial transactions	-		-810	
140.	**Net profit from financial operations**		**447,226**		**409,647**
180.	**Administrative expenses:**		**-513,480**		**-494,592**
	a) payroll and related costs	-130,382		-126,101	
	b) other administrative expenses	-383,098		-368,491	
190.	**Net allocations to provisions for risks and charges**		**-11,415**		**-13,029**
200.	**Net adjustments to tangible assets**		**-19,426**		**-20,020**
210.	**Net adjustments to intangible assets**		**-14,327**		**-7,197**
220.	**Other operating expenses/income**		**272,806**		**253,862**
230.	**Operating costs**		**-285,842**		**-280,976**
240.	**Profit (Losses) from equity investments**		**-6,940**		**511**
260.	**Adjustments to goodwill**		**-**		**-59**
270.	**Profit (Losses) from divestments**		**4**		**-107**
280.	**Profit (Loss) from current operations before taxes**		**154,448**		**129,016**
290.	**Income taxes from current operations**		**-59,941**		**-47,724**
300.	**Profit (Loss) from current operations after taxes**		**94,507**		**81,292**
310.	**Profit (Loss) from non-current operations being disposed of after taxes**		**0**		**-67**
320.	**Profit (Loss) for the year**		**94,507**		**81,225**
330.	**Profit (Loss) attributable to minority interests**		**-4,389**		**-4,122**
340.	**Parent Company Profit (Loss) for the year**		**90,118**		**77,103**

(Thousands of Euro)

Reports and Financial Statements of the Parent Company

Board of Directors' Report on Operations

Dear Shareholders,
2012 ended with a net profit of Euro 75.037 million, compared to a net profit of Euro 62.305 million in 2011. Shareholders' equity amounted to Euro 567.3 million, compared to Euro 480.9 million in 2011.

ORGANISATIONAL STRUCTURE

In addition to those already mentioned in the section of the Report on Group's operations, a number of interventions were carried out within the organisation involving both a structural review and a rationalisation and reorganisation of business. In particular, we note:

- the establishment of a Marketing Department, which is responsible for the following three Services:
  - 'Banking Market', which is responsible for sales activities of all the products and services on all target markets;
  - 'Payments Sales Support', which specialises in the development of products and services in the Payments area;
  - 'Securities Services Sales Support', which specialises in the development of products and services in the Securities Services area;

  this Department has also been given responsibility for activities related to monitoring of and participation in invitations to tender for the Parent Company and in support of the Group companies;
- a review of the Payments Department, within which three new services have been created, 'Payment Services Operation' and 'Clearing and Foreign Services Operation' - which are more highly specialised and replace 'Payment Services' - and 'Payments Project Development' to manage evolution projects or those of a regulatory nature and to oversee interbank working groups;
- the redeployment of the Marketing and Innovation Department under a Deputy General Manager;
- a review of the organisational structure of the Securities Services Department to ensure effective oversight of activities given the si-

gnificant operating growth as a result of current and future development projects and to ensure a high-quality service.

GROUP IT SYSTEM

During the year, activities in the IT area were directed towards the following objectives:

- regulate and direct processors and outsourcers in the planning and delivery of services in an active and constant manner;
- propose and implement distinctive innovations in relation to compliance and end-to-end security in transactions and operations;
- strengthen logic security measures (risk management and audit system);
- update procedures to comply with Italian and European regulations that came into force.

With regard to Clearing services, infrastructure and regulatory elements in particular, actions to implement the new Rule Books and activities relating to migration to SEPA, whose End Date is scheduled in February 2014, were completed.

Work continued on the project for the development of the MyBank service, which will be put into production during 2013; the SCT service was launched on the Payment Hub product with the opening of a service centre.

With regard to the services offered by the Securities Services Department, as a Depositary bank, migration activities for the acquisition of mutual funds and of two pension funds managed by Arca were successfully completed; the mergers of third-party funds into Arca mutual funds and pension funds were also managed.

In addition, in order to properly support the new business developments regarding Depositary bank Control of mutual funds, a new application (Diogene), which came into production in July, was created in collaboration with Unione Fiduciaria, which already provides ICBPI with the product for calculation of the NAV (Archimede).

By creating synergies in the IT systems, adopting new products and developing additional features, functionalities were implemented in the Fund Administration, Transfer Agent and Depositary bank and Global Custody controls segments.

As required by Borsa Italiana, the ‘Millennium’ project for updating and interfacing with the new market platform was finalised, and the ‘CTM Broker-Omgeo’ project, which allows access to the top international matching system with the most important brokers participating in this system, was concluded.

Activities in the IT Security field focused on operational continuity and the logical and functional protection of the IT system and data through the application of a new technical and organisational model for the proper management of IDs and the related access profiles.

Preparation of the new Security Strategic Plan was also carried out in the context of the 2012-2015 Business Plan.

REGULATORY COMPLIANCE

The updating of internal regulations to Italian and European legislation that came into force during the period continued.

In accordance with the 'CONSOB/Bank of Italy joint communication on implementing the Guidelines on systems and controls in an automated environment for investment firms issued by ESMA, in implementation of Directive 2004/39/EC (MiFID)', a self-assessment was carried out with regard to these guidelines, the outcome of which showed the substantial compliance of the systems and controls in place in an automated environment.

Organizational Model 231 was implemented to implement the regulations on new types of criminal offences (environmental crimes and bribery). Similar activities have been implemented by subsidiary companies CartaSi, OASI and Help Line to update their respective Organisational Models 231.

Lastly, work was commenced to comply with the following regulations:

- a resolution dated 18 September 2012 'Provisions on the oversight of retail payment systems';
- implementing rules issued by the Bank of Italy and Consob for the adoption of the UCITS IV Directive on undertakings for collective investment in transferable securities.

HUMAN RESOURCES

The workforce of the Parent Company at 31 December 2012 totalled 782 staff members.

	ICBPI			
	Dec-11		Dec-12	
	Units	FTE	Units	FTE
Top managers	35	35.0	37	37.0
Middle managers	301	296,5	320	315.0
White collars	386	367.1	416	395.5
Fixed-term contracts	8	8.0	9	9.0
Total	**730**	**706.5**	**782**	**756.5**

MARKETING DEPARTMENT

In terms of commercial activities, 2012 saw the development of initiatives to launch new services in the payments, collections and business bank sectors.

Business development saw the acquisition of new contracts in the context of traditional payment, intermediation, cheque management and Global Custody services, and new contracts for innovative services such as Payment-hub, MyBank and Innovation Banking.

In addition, with regard to the evolution of the portfolio of services offered, the second half of the year saw the launch of the Smartpayment platform (for new positioning after migration to SEPA), and a marketing campaign for the e-Billing Service (payment of post office payments through the CBI interbank network) and for the development of new markets/skills in the Securities Services sector was started.

MARKETING AND INNOVATION ACTIVITIES

The Service supported the analysis and definition of the Group strategy on payments using advanced mobile technologies (NFC, lite POS, QR Code, etc.), as well as projects related to the paper-free bank counter and the digitisation of cheques, in order to develop a range of modular and technologically advanced innovative services able to meet the various needs of banking customers.

In particular, the Group Marketing IT System (MIS), which is in the operational implementation phase, was developed as a part of Group

Marketing Planning. These activities are now mainly focused on the process of fine-tuning the technological and functional architecture, in line with the evolutionary processes highlighted during operational implementation.

The role played by the Group Innovation Monitor shall also be noted; this is a useful tool for analysing the market and identifying the most significant trends supporting the Group's business.

Finally, involvement, with a coordination role, in the MyBank project - a pan-European project of EBA Clearing for Online Banking e-Payment (OBeP) - and with the work of the European Payment Council, the Consorzio Bancomat, the ABI Lab Consortium and the CBI Consortium has continued.

OPERATING PERFORMANCE

2012 results benefitted from the contribution of the individual Services as set out below.

PAYMENTS DEPARTMENT

The Payments Department is the historical operational and business component; it is the most well-established, and has always been 'central' to the life of ICBPI.

The evolution of the European Payments System (SEPA, the Single Euro Payments Area), which has now entered its final phase, and whose 'deliverables' are planned to begin as early as February 2014, and the entry of non-banking operators into the payment services market, combined with relentless technological innovation and the changing needs of end users (corporate and retail), have prompted ICBPI to engage in deep reflection on the services it offers in order to anticipate the needs of its customers, interpret market trends and identify and implement innovative solutions and new business opportunities.

The 2011-2015 Plan for development of the Payments Department's products also looks to new markets such as the Civil Service and large corporate, BPO, E-billing, MyBank, and Innovation Banking.

PAYMENT SERVICES

Income from Payment Services grew in total from Euro 78.4 million to Euro 81.5 million net of interest income, representing a growth of about 4.0%.

In the traditional payments sector, there was an expected fall in certain segments, in line with market trends, due to a natural, gradual decrease in established forms of receipts and payments and a rise in more innovative forms based on the concept of 'straight-through processing', in which the ICBPI Group is a market leader.

The transactions handled in 2012 by the Major Utility sector (payment of INPS pensions in Italy, Telepass direct debit, Viacard, AGEA and ARCEA bank transfers) amounted to Euro 14.8 million, compared to Euro 18.3 million in 2011, with a reduction of around 19.1% due to a lower number of both INPS payments (2.8 million fewer instalments paid essentially abroad) and AGEA payments (0.42 million payments).

Volumes of the bank cheques segment increased by 4%, and those of the bills segment increased by over 20%.

Taken as a whole, 2,246,438 banker's drafts were issued in 2012, marking a decrease of 165,089 (or 6.85%) compared to the previous year.

At the end of 2012, the new voucher issue and payment service for casual and non-continuous work carried out on behalf of INPS had developed significant volumes: the value of vouchers issued for 19 Issuing banks placed at ICBPI was Euro 6.9 million.

With regard to Intermediation services, at the end of December 2012 ICBPI included 87 Intermediary banks subscribed to its Regular Transfer Intermediation service (BON) and 85 banks subscribed to its interbank process for Commercial Collections (ICI).

Despite the progressive, but gradual, increase in operations within SEPA, the period saw an increase in volumes in domestic payment systems, albeit to a lesser extent compared to the changes in 2011 with respect to 2010.

There was an increase of approximately 8.69% in transfer transactions, and an increase of about 3% in Commercial collections compared to 2011 values, with a similar growth in fee trends.

The Direct Customer Collection Service (RID) continues to show an upward trend, with about 1,100 more transactions (6.64%) compared to 2011.

The payments recorded on the QuiMultibanca network, a service offered by ICBPI on over 8,000 ATMs, saw a decrease of 4.61% in transaction volumes, with a reduction in fee percentages of 18.61%, which was also due to a fall in the tariffs applied.

In the SEPA sector, where ICBPI offers an intermediation service on the ICBPI-ICCREA ACH to 85 banks and access to the EBAStep2 system to 108 banks, the SCT service showed a substantial increase in the number of transactions of approximately 76% compared to the previous year, bringing over 17.9 million transactions to this channel.

However increasing, the SEPA Direct Debit intermediation service still did not record significant volumes in the year, recording 52 thousand transactions at the end of 2012. The number of customers intermediated on ICBPI-Iccrea ACH was 107 and the number for EBAStep2 was 109.

With regard to the intermediation services provided by the Foreign Department on Target2, which relate to payment transactions and/or foreign money transfers in Euros, there was a decrease in the number of orders handled of approximately 3% compared to 2011. This decrease was largely due to the unsubscribing from the service by a banking customer and, to a marginal degree, to a residual displacement of foreign payments from Target2 to SEPA.

In the Clearing Services sector, there was another slight overall decrease in traffic volumes in the Application Centre of around 0.36% compared to the previous year. The total number of transactions processed was approximately 1,482 million.

As for the SEPA sector, Sepa Credit Transfer traffic of ICBPI ICCREA ACH amounted to approximately 14 million transactions, with an increase of 4.5%, although at a lower growth rate than in previous years. The transaction volume of the Sepa Direct Debit (SDD) service is still insignificant.

With regard to interoperability agreements with other ACHs, it is noted a new agreement with the Bank of Italy's Application Centre (CABI), which was put into operation on 20 June 2012.

With reference to the infrastructure and regulatory interventions relating to the clearing services, it is noted that the new Rule Books have been implemented, and that the assessment has begun for the start of the AOS SEDA project and the activities related to the completion of the migration to SEPA in view of the February 2014 End Date.

BANK-BUSINESS SERVICES

The E-banking sector witnessed an increase in the number of terminals from 178,000 in 2011 to 180,000 in 2012.

Interesting initiatives were also implemented during 2012 on the CBI network infrastructure; in particular, it is noted the improvement in the network, in partnership with SIA, aimed at enabling data transfer in real time, and the E-billing project, developed within the CBI Consortium, which aims to erode a substantial portion of the payments currently made by post office payments, and which should be operational by the end of 2013.

Also the transfer to the Inland Revenue Office of information on customers' current accounts (SERPICO) represents a business opportunity based on products for banking customers for forwarding and transporting data.

With regard to the Pension Payments and Tax Collection, 2012 saw revenues in the sector amounting to approximately Euro 2.3 million.

Finally, there were no significant changes either in terms of volumes or revenues relating to the CBI Node activity, through which about 1,109 million units of order and information transactions passed in 2012.

SECURITIES SERVICES DEPARTMENT (D2S)

During 2012, the Securities Services Department activities (custody, administration and settlement of securities, Depositary bank, Fund Services, Brokerage & Primary Market, Market Making) provided to banks, investment firms (SIMs), asset management companies (SGRs) and funds showed significant growth in the size of the portfolio under management compared to the previous year, while the volumes intermediated slightly declined; this weakened businesses based on the number of transactions on financial markets (Investment Services, Settlement).

Revenues increased from a total of Euro 20.7 million to Euro 27.3 million, net of the interest income, an increase of approximately 31.5%.

During the year under review, 3 important stages were reached in the process to develop Securities Services, with a view to the Group becoming the country's first player in the sector, capable of playing a leading role in the evolution towards Target2-Securities:

- consolidation of the new organisational structure, with the activities of the Brokerage & Primary Market and Market Making for Investment Services Departments up and running, and the definitive start of Transfer Agent, Matching & Settlement and Fund Accounting services, including outsourced and contracted calculation of the Nav, to a significant number of funds;
- structural reinforcement of the Department, with a substantial increase in resources from 126 units at 31/12/2011 to 180 units at 31/12/2012, which mainly involved the Depositary Bank & Controls and Operations Services. The complexity and size of the activities provided to customers also led to an enhancement of the IT applications used, with a targeted long-term investment plan;

- significant growth in assets under management and the number of funds managed that use the services through both commercial transactions on the target market and through external acquisitions (particularly the 'Napo Project', which has been referred to previously).

GLOBAL CUSTODY

Global Custody services, provided to more than 100 Institutional Customers, grew considerably in terms of the size of the portfolio under management in 2012. This growth, which was mainly due to the acquisition of new customers, was thwarted by a slight decline in settlement services, which were penalised by the contraction undergone by trades in the financial markets.

The portfolio of securities under custody and administration amounted to Euro 58.6 billion, about 45% being foreign securities, an increase of 59% compared to the 2011 values.

With regard to the settlement business segment, there continued to be marked growth in transactions on foreign markets (+52.2%), compared to a decrease in the number of transactions in Italian securities settled in Express II (-15.2%) compared to 2011. Overall, the transaction volumes in this sector amounted to 2.83 million settlements (-3.72%) in 2012.

OPERATIONS SERVICES AND DEPOSITARY BANK & CONTROLS

The Depositary Bank & Controls Service continued to grow in 2012, recording a significant increase in assets under management amounting to about Euro 35 billion (+113.9% compared to 2011), largely due to the agreements signed during the year to acquire the assets of Arca and three other SGRs.

A total of 39 pension funds were managed in 2012 (+3 compared to 2011), with assets totalling about Euro 13.5 billion (+34%), confirming ICBPI as market leader in this segment in terms of both assets and number of funds.

There was also a significant increase in the assets of mutual funds (+265.4%), which now total approximately Euro 21 billion. During 2012, an agreement was also concluded with Symphonia SGR for the acquisition of Depositary Bank activities starting from April 2013.

The overall fund portfolio now comprises 98 mutual funds, 2 funds of funds and 7 real estate funds.

The conclusion of agreements and the start of operations with Arca

SGR and, in the second half, with Sella Gestioni SGR, allowed ICBPI to significantly expand its Fund Administration business in 2012, as regards both Fund Accounting and Matching & Settlement, which are now carried out on behalf of more than 70 funds, and Transfer Agent services, which are currently provided to more than 450,000 subscribers.

BROKERAGE & PRIMARY MARKET

The continuing economic recession in 2012 further influenced the markets in terms of both share prices and traded volumes, with trading for the account of third parties penalised as a result.

The overall value of securities traded, equal to Euro 45.43 billion, decreased by 4.2% compared to 2011.

This decrease was particularly sharp in the domestic share (27.5%) and in foreign share (-16.9%) markets. Conversely, there was an increase in traded volumes in the fixed income sector (23.3%).

The number of transactions completed also decreased by 14.5%, but a slight increase in the average value of transactions was noted.

Market shares improved in 2012. The Italian equities volumes traded decreased to a lesser extent than did trades for the account of third parties on the Italian Stock Exchange (-32.7%), with a market share growing from 2.78% to 3.00%. In the bond market, the market share in the MOT segment grew from 3.59% to 4.07%.

MARKET MAKING

Market Making activities on corporate bonds listed on Hi-MTF ended the year in the black; this allowed us to end 2012 with a +37.7% compared to 2011, despite the drop in orders flowing on to the market and the economic tensions that afflicted the Eurozone.

This result follows the sharp narrowing of spreads in the peripheral countries of the Eurozone in the early months of the year, followed by a steepening of the rate curve, which boosted the positions of ICBPI on short-term securities (especially banking).

Despite the drop in orders, the competitiveness shown compared to other market makers operating on the market (40% of total volumes traded) remained at a good level, enabling the service to maintain its leadership in 2012, too.

TREASURY AND FINANCIAL SERVICES

The parent company gradually increased its exposure to the Government bonds sector during the year in order to benefit from the returns of the rate curve in the short- to medium-term segment; in addition to ensuring positive payment flows, the current security positioning also allowed easier access to liquidity through repo transactions, in the presence of an interbank market that has seen a gradual reduction in volumes and overnight rates close to zero.

The Available for Sales securities portfolio was increased by 87.8% by the purchase of Italian Government bonds with maturities between 2014 and 2017.

At the end of the year, it was decided to renew the positions in Italian Government bonds with a maximum 3-year maturity for an amount of Euro 1 billion.

With regard to the Held for Trading portfolio, Italian zero coupon Government bonds with maximum maturity in January 2014 were bought during the first half of the year to replace bonds maturing in May.

The Held to Maturity portfolio, which primarily consists of securities issued by Italian banks, registered steady liquidity returns due to the approaching natural maturity date of securities.

As regards liquidity management relating to Euro/foreign treasury operations, the role of support to the various Group structures was strengthened, ensuring a constant balance between cash inflows and outflows. This was put into action through the dynamic management of deposit and investment flows and continuing with the financing of companies operating in the e-money sector.

Investments are made over a short term, from one to three months, in order to ensure constant liquidity returns.

ICBPI's business of deposit and investment on the interbank deposit market, which saw the Parent Company intermediate a monthly average of Euro 6.9 billion, remaining one of the main contributors in terms of volumes traded.

CREDIT

The guidelines for credit management are based on a general prudent basis, correct and proper management and compliance with legislative and regulatory provisions currently in force.

The use of credit risk positions is made up as to 50% of interbank deposits with brokers subject to the supervisory authorities, as to 30% of corporations operating in the e-money sector within the scope of the Group and as to 20% of corporations providing public services and UCIs. These items are mainly instrumental credit lines connected to the performance of receipt instructions and to Depositary Bank activities.

Transactions with derivatives were not used for hedging credit risk.

The existing positions are monitored daily, and any overflows are subject to immediate analysis and action as set forth in internal rules and regulations.

During the current year, a total amount of Euro 256,929 was classified as a bad debt position; this figure arose from a single counterparty. Following the development of activities in the Depositary Bank sector, there has been an increase in the number of credit lines granted to mutual funds.

Credit Line positions are composed as to 63% of credit lines and operational ceilings with brokers subject to the supervisory authorities; as to 24% of credit lines granted to companies belonging to the ICBPI Group; as to 10% of credit lines granted to OICRs and SIMs; and as to 3% of credit lines granted to corporations providing public services. These items are almost exclusively instrumental credit lines connected to the performance of receipt instructions.

Dear Shareholders,

FINANCIAL STATEMENT HIGHLIGHTS

The corporate events described above are reflected in the Balance Sheet and Profit & Loss Account figures highlighted below.

(amounts in million of Euro)

ASSETS	31/12/2012	31/12/2011
Financial assets held for trading	244.1	264.2
Available-for-sale financial assets	1,928.8	1,121.2
Financial assets held to maturity	107.6	135.5
Receivables from banks	1,684.5	724.1
Receivables from customers	1,710.5	1,964.5
Equity investments	508.1	506.3
Fixed assets	163.0	125.1
Other assets	524.9	816.5
Total assets	**6,871.7**	**5,657.2**

(amounts in million of Euro)

LIABILITIES	31/12/2012	31/12/2011
Payables to banks	2,319.9	2,112.4
Payables to customers	3,099.1	2,356.7
Outstanding securities	10.0	10.0
Other liabilities	759.5	602.4
Employee severance indemnities	11.7	11.3
Provisions	29.1	21.2
Shareholders' equity	567.3	480.9
Profit for the year	75.0	62.3
Total liabilities	**6,871.7**	**5,657.2**

The balance sheet figures at 31 December 2012 show 'total assets' of Euro 6,871.7 million, compared to Euro 5,657.2 million at 31.12.11.

In particular, a breakdown of the items that make up total assets shows that:

- **'financial assets held for trading'** amounted to Euro 244.1 million, compared to Euro 264.2 million at 31.12.11;
- **'available-for-sale financial assets'** amounted to Euro 1,928.8 million, compared to Euro 1,121.2 million at 31.12.11. This increase is attributable to the purchase of Government securities.

- **’financial assets held to maturity’** totalled Euro 107.6 million, compared to Euro 135.5 million at 31.12.2011, and consist of bank bonds. The change is due to the maturity of securities which were subject to repayment.
- **‘receivables from banks’** totalled Euro 1,684.5 million, compared to Euro 724.1 million in the previous year. The change is mainly due to higher deposits with banks at the end of the reporting period compared to the previous year;
- **‘eceivables from customers’** totalled Euro 1,710.5 million, compared to Euro 1,964.5 million in the previous year. This decrease was mainly due to a lower exposure to subsidiary company CartaSi;
- **‘equity investments’** totalled Euro 508.1 million, compared to Euro 506.3 million at 31.12.2011. During the year, shares in Hi-MTF were sold for a nominal amount of Euro 0.750 million, and the remaining Key Client shares were purchased for a total amount of Euro 10.7 million. In December, Key Client was merged into CartaSi, and it was therefore decided to increase the carrying value of the investment in CartaSi by the corresponding carrying value of the investment in Key Client;
- **’tangible and intangible fixed assets’** totalled Euro 163.0 million, compared to Euro 125.1 million at 31.12.11. This increase relates primarily to the acquisition of the ‘Depositary Bank’ corporate branch of Banca Popolare dell’Emilia Romagna for Euro 18.7 million, and the acquisition of the ‘Depositary Bank Customer Contract’ corporate branch of Arca Sgr for Euro 29.4 million, in addition to the impairment of the ‘Banca Carige Customer Contract’, as ascertained from the impairment test, for an amount of Euro 4.4 million;
- **’other assets’** totalled Euro 524.9 million, compared to Euro 816.5 million at 31.12.2011, and include ‘cash and cash equivalents’ (Euro 181.1 million), ‘tax assets’ for prepaid taxes (Euro 37.0 million) and ‘other assets’ (Euro 306.8 million). The decrease recorded by this item was mainly due to the lower deposit held with the Bank of Italy as at the reporting date.

As for liability items:

- **’payables to banks’** amounted to Euro 2,319.9 million, compared to Euro 2,112.4 million at 31.12.11. The upward change is due to higher deposits on correspondence accounts with resident banks;
- **’payables to customers’** totalled Euro 3,099.1 million, compared to Euro 2,356.7 million in the previous year. This increase mainly rela-

tes to the collection for repos outstanding at the reporting date;

- **'outstanding securities'** amounted to Euro 10 million, and were made up of the bond loan issued; the figure is unchanged compared to the previous year;
- **'other liabilities'** totalled Euro 759.5 million, compared to Euro 602.4 million in 2011, and consist of 'financial liabilities held for trading' (Euro 29.0 million), 'tax liabilities' (Euro 40.6 million), including deferred tax liabilities of Euro 25.6 million, and 'other liabilities' (Euro 689.9 million). The change is due to higher amounts held on suspense accounts at year-end and relating to the performance of payment orders which were then settled in subsequent days;
- **'employee severance indemnities'** totalled Euro 11.7 million, in line with Euro 11.3 million of the previous year;
- **'provisions'** totalled Euro 29.1 million, compared to Euro 21.2 million at 31.12.11. The increase in this item mainly refers to the possible liability that is expected to have to be paid in relation to payment services operations and the write-down of trade receivables;
- **'shareholders equity accounts'** amounted to Euro 567.3 million, compared to Euro 480.9 million at 31.12.11. This change is related to the allocation of 2011 profit to reserves for Euro 48.1 million and an increase in the valuation reserve of Euro 38.3 million due to the effect of positive changes in the Available For Sale reserve for Euro 13.5 million, compared to the negative Euro 24.9 million attributable to Italian Government bonds.

Profit & Loss Account

ICBPI Group - Profit & Loss Account			
Amounts at 31 December YTD (€/000)	**Year 2012**	**Year 2011**	% **Change**
Net comm. and revenues from services	108,764	99,285	9.5%
Interest income	98,955	46,843	111.2%
Inc. from securities and foreign exchange trans.	9,042	9,775	- 7.5%
Dividends and other income	49,370	42,313	16.7%
Operating income	**266,131**	**198,216**	**34.3%**
Payroll and related costs	- 62,439	- 58,297	7.1%
Production costs	- 12,882	- 13,580	- 5.1%
ICT costs	- 43,030	- 39,483	9.0%
General expenses	- 46,717	- 30,717	52.1%
Administrative expenses	**- 165,068**	**- 142,077**	**16.2%**
Adjustments on tangible and intangible assets	- 3,678	- 4,664	- 21.1%
Other operating expenses/income	25,751	28,473	- 9.6%
Operating provisions	- 8,081	- 7,234	11.7%
Operating costs	**- 151,076**	**- 125,503**	**20.4%**
Operating profit	**115,055**	**72,714**	**58.2%**
Profit (Loss) on equity invest. and AFS	- 12,060	- 628	1.821.5%
Other components	- 3,975	- 5,032	- 21.0%
Profit (Loss) before taxes	99,020	67,054	47.7%
Income taxes	- 23,983	- 4,749	405.0%
Profit (Loss) for the year	**75,037**	**62,305**	**20.4%**

Icbpi's results are shown based on the management Profit & Loss Account entries shown below.

Profit & loss figures at 31 December are compared to the figures recorded on the same date of the previous year.

As shown in the table below, ICBPI posted an Operating profit for the year ended 31 December 2012 of Euro 115,055 million, compared to Euro 72,714 million at 31 December 2011 (+58.2%), and posted a Net profit for the period of Euro 75,037 million, compared to Euro 62,305 million in the previous year.

As for the items that make up **Operating income**, the following is noted:

- **Net commissions and revenues from services** amounted to Euro 108.764 million, compared to Euro 99.285 million at 31 December 2011 (+9.5%);
- **Interest income** amounted to Euro 98.955 million, compared to Euro 46.843 million at 31 December 2011 (+111.2%). In more detail, the contribution to interest income comes from the payment systems segment (Euro 7.109 million), the contribution of banks and customers' equity (Euro 41.330 million) and the securities portfolio (Euro 50.516 million);
- **Dividends and other income** amounted to Euro 49.370 million, compared to Euro 42.313 million at 31 December 2011 (+16.7%);
- **Income from securities and foreign exchange transactions** amounted to a Euro 9.042 million profit, compared to Euro 9.775 million in the previous year. The reported result includes exchange gains of Euro 1.567 million.

As for the items that make up **Operating costs**, the following is noted:

- **Payroll and related costs** amounted to Euro 62.439 million, compared to Euro 58.297 million at 31 December 2011 (+7.1%). The increase compared to the same period in the previous year is related to the change in scope resulting from extraordinary transactions that took place during 2012 relating to the Fund Services activity;
- **Production costs** amounted to Euro 12.882 million, a drop compared to Euro 13.580 million in the same period of the previous year (-5.1%).
- **ICT costs** totalled Euro 43.030 million, compared to the Euro 39.483 million posted for the same period of the previous year (+9.0%). The increase on 31.12.2011 is due to a different business scope being used, still in connection with Depositary Bank activities;
- **General expenses** amounted to Euro 46.717 million, compared to the Euro 30.717 million posted for the same period of the previous year (+52.1%). The increase compared to 2011 was primarily due to purchases of Depositary Bank contracts, in addition to the costs for the completion of the bank integration process of the Milan offices in Corso Sempione 55 and 57;
- **Adjustments on intangible and tangible assets** totalled Euro 3.678 million, compared to Euro 4.664 million at 31 December 2011 (-21.1%);
- **Other operating income/expenses** amounted to Euro 25.751 mil-

lion, compared to Euro 28.473 million in the previous year;

- **Operating provisions** amounting to Euro 8.081 million mainly refer to the possible liability that is expected to have to be paid in relation to payment services operations and the write-down of trade receivables;

Operating costs thus amounted to Euro 151.076 million, compared to Euro 125.503 million in December 2011 (+20.4%).

These factors led to an **Operating profit** of Euro 115.055 million, compared to Euro 72.714 million in December 2011 (+58.2%).

Other extraordinary items, recording a loss of Euro 16.035 million, shall be added to the operating profit, and may be broken down as follows:

- write-down of the equity investment in Equens equal to Euro 8.106 million;
- write-down of the shares of the Fondo Italiano d'Investimenti of Euro 3.954 million;
- profits deriving from the exercise of the Deutsche Bank option for Euro 6.451 million;
- amortization of the Depositary Bank Customer Contract of Euro 5.082 million;
- adjustment to intangible assets as recorded in the 'Banca Carige Customer Contract' Impairment test, amounting to Euro 4.449 million;
- allocations to provisions for LTI of Euro 0.627 million;
- other expenses of Euro 0.268 million, mainly relating to the actuarial valuation of the provision for severance indemnities and other provisions.

These elements resulted in a **'pre-tax profit'** of Euro 99.020 million that, net of the taxes item of Euro 23.983 million, results in a Net profit of Euro 75.037 million.

A tax credit of Euro 1.8 million arising from the application of the 'Save Italy' decree (deduction of IRAP for IRES purposes for the last 5 years) has been recorded in the taxes item.

OUTLOOK

2013 is expected to show economic and financial trends in line with 2012.

EVENTS AFTER THE REPORTING PERIOD

Significant events after 2012 year-end have been reported in the relevant section of the Group report on operations.

OTHER INFORMATION

It is noted that ICBPI is not subject to management and coordination by another company or body, in accordance with the provisions of Arts. 2497-*sexties* and 2497-*septies* of the Italian Civil Code.

In addition, it is noted that ICBPI did not undertake any research and development activities in 2012.

TREASURY SHARES

It is noted that there was no treasury share trading activity during the period.

Consequently, the ICBPI portfolio currently has 75,191 treasury shares with a par value of Euro 3.00 each, with a non-distributable reserve of Euro 32,196.

Dear Shareholders,

ALLOCATION OF NET PROFIT

The financial statements which we submit for your review and approval show a net profit of Euro 75,036,666.00.

The allocation proposal for the net profit for the year Has Been prepared Following a careful assessment of the financial statement items and the bank's equity situation, in compliance with the supervisory requirements regarding the need and opportunity to allocate an appropriate portion of the distributable profits to enhancing equity.

We therefore propose the allocation to shareholders of a dividend per share of Euro 1.2 for all shares, totalling 14,185,790, and consequently to distribute the profit for the year as follows:

- to the available reserve, to raise it to Euro 291,019,351.21	€ 58,013,718.00
- dividend to be allocated to shareholders	€ 17,022,948.00
Total	€ **75,036,666.00**

Milan, 15 March 2013

THE BOARD OF DIRECTORS

Financial Statements
at 31 December 2012

BALANCE SHEET

ASSETS		31/12/2012		31/12/2011	
10.	**Cash and cash equivalents**		181,076,702		570,312,956
20.	**Financial assets held for trading**		244,070,488		264,174,366
40.	**Available-for-sale financial assets**		1,928,783,373		1,121,165,647
50.	**Financial assets held to maturity**		107,597,332		135,499,543
60.	**Receivables from banks**		1,684,583,010		724,083,984
70.	**Receivables from customers**		1,710,592,032		1,964,457,496
100.	**Equity investments**		508,109,764		506,290,324
110.	**Tangible assets**		83,504,174		84,525,545
120.	**Intangible assets**		79,520,727		40,593,929
	goodwill	14,941,150		14,941,150	
130.	**Tax assets**		36,990,853		43,293,433
	a) current		-		-
	b) prepaid	36,990,853		43,293,433	
140.	**Non-current assets and groups of assets being disposed of**		-		-
150.	**Other assets**		306,841,544		202,851,933
	Total assets		6,871,669,999		5,657,249,156

(Amounts in Euro)

	LIABILITIES	31/12/2012		31/12/2011	
10.	**Payables to banks**		2,319,906,646		2,112,445,086
20.	**Payables to customers**		3,099,103,068		2,356,659,431
30.	**Outstanding securities**		10,018,486		10,032,440
40.	**Financial liabilities held for trading**		29,049,586		22,212,785
80.	**Tax liabilities**		40,608,634		29,610,281
	a) current	14,981,124		10,799,423	
	b) deferred	25,627,510		18,810,858	
100.	**Other liabilities**		689,842,570		550,579,760
110.	**Employee severance indemnities**		11,658,492		11,327,519
120.	**Provisions for risks and charges**		29,116,921		21,202,408
	a) pensions and similar obligations	1,178,415		1,182,910	
	b) other provisions	27,938,506		20,019,498	
130.	**Valuation reserves**		59,744,122		21,408,848
160.	**Reserves**		316,817,462		268,698,603
170.	**Share premium**		148,242,172		148,242,172
180.	**Capital**		42,557,370		42,557,370
190.	**Treasury shares (-)**		-32,196		-32,196
200.	**Profit (loss) for the year (+/-)**		75,036,666		62,304,649
	Total liabilities and shareholders' equity		6,871,669,999		5,657,249,156

(Amounts in Euro)

PROFIT & LOSS ACCOUNT

PROFIT & LOSS ACCOUNT		31/12/2012	31/12/2011
10.	**Interest receivable and similar income**	**113,693,500**	**81,997,692**
20.	**Interest payable and similar expenses**	**-14,738,780**	**-35,138,532**
30.	**Interest income**	**98,954,720**	**46,859,160**
40.	**Commission income**	**101,910,490**	**91,156,406**
50.	**Commission expenses**	**-35,872,838**	**-32,425,399**
60.	**Net commissions**	**66,037,652**	**58,731,007**
70.	**Dividends and similar income**	**49,377,247**	**42,318,961**
80.	**Net trading profit**	**15,354,835**	**9,666,616**
100.	**Profit (loss) on disposal or buy-back of:**	**115,446**	**86,722**
	b) available-for-sale financial assets	115,446	86,722
120.	**Net banking income**	**229,839,900**	**157,662,466**
130.	**Net adjustments due to impairment of:**	**-4,210,216**	**-634,166**
	a) receivables	-256,928	-
	b) available-for-sale financial assets	-3,953,288	-
	c) financial assets held to maturity	-	-634,166
	d) other financial transactions	-	-
140.	**Net profit from financial operations**	**225,629,684**	**157,028,300**
150.	**Administrative expenses:**	**-164,031,539**	**-142,236,773**
	a) payroll and related costs	-62,493,971	-59,659,900
	b) other administrative expenses	-101,537,568	-82,576,873
160.	**Net allocations to provisions for risks and charges**	**-9,622,574**	**-7,351,336**
170.	**Net adjustments to tangible assets**	**-2,304,111**	**-2,659,993**
180.	**Net adjustments to intangible assets**	**-10,845,817**	**-4,682,343**
190.	**Other operating expenses/income**	**68,297,166**	**67,896,217**
200.	**Operating costs**	**-118,506,875**	**-89,034,228**
210.	**Profit (Loss) from equity investments**	**-8,106,420**	**6,407**
230.	**Adjustments to goodwill**	**-**	**-947,000**
240.	**Profit (Losses) from divestments**	**3,735**	**447**
250.	**Profit (Loss) from current operations before taxes**	**99,020,124**	**67,053,926**
260.	**Income taxes from current operations**	**-23,983,458**	**-4,749,277**
270.	**Profit (Loss) from current operations after taxes**	**75,036,666**	**62,304,649**
290.	**Profit (Loss) for the year**	**75,036,666**	**62,304,649**

(Amounts in Euro)

Company Boards
at 10 May 2013

BOARD OF DIRECTORS

Chairman:	Giovanni De Censi	
Deputy Chairman:	Ettore Caselli	
Directors:	Giovanni Berneschi	Giuseppe Capponcelli
	Adriano Cauduro	Vincenzo Consoli
	Fiorenzo Dalu	Miro Fiordi
	Eugenio Garavini	Divo Gronchi
	Rossella Leidi	Carlo Napoleoni
	Giuseppe Franco Paganoni	Lorenzo Pelizzo
	Carlo Prina della Tallia	Ottavio Rigodanza
	Roberto Romanin Jacur	

BOARD OF STATUTORY AUDITORS

Chairman:	Luca Franceschi	
Standing auditors:	Paolo Lazzati	Cesare Orienti
Alternate auditors:	Pierluigi Carabelli	Francesca Meneghel

GENERAL MANAGEMENT

General Manager:	Giuseppe Capponcelli
Deputy Vice General Manager:	Pier Paolo Cellerino
Deputy General Manager:	Giovanni Damiani
Deputy General Manager:	Domenico Santececca

Stampato nel mese di maggio 2013
presso Grafiche Erredue - Cirimido - Como