2015 Annual Report

Contents

Letter from the Chairman

Letter from the Chairman

2015 was a year of strong discontinuity for your company. On 18 December the operation was completed to transfer 88.95% of the share capital of Istituto Centrale delle Banche Popolari Italiane, controlling CartaSi, to Mercury Italy, a corporate vehicle indirectly financed by the funds Advent International, Bain Capital and Clessidra.
Following the change of governance, the Shareholders' Meeting of CartaSi resolved on the appointment, up to the date of approval of the financial statements at 31 December 2015, of the new Board of Directors and, for the financial years 2015-2016-2017, of the Board of Auditors.
In line with the new ownership structure, during the next months a new industrial plan will be defined aimed at optimising the potential of your Company in the context of the rapid development of the e-money sector in Italy. The external context seems to favour the re-launch project due also to the fact that in 2015 the Italian GDP began growing again thanks to the crucial contribution of the recovery in consumption and that the economic prospects for Italy remain moderately positive because of the consolidated recovery in domestic demand.
In such a framework, the payment cards sector in Italy is undergoing an overall development phase, boosted mainly by the growing offer of debit and prepaid products.
During 2015 CartaSi managed overall growing volumes equal to around 15.6 million cards, more than 2.4 billion transactions and more than 500,000 POS and ATM terminals, confirming its indisputable market leadership.
This was possible thanks to commercial transactions carried out pro-actively and in close collaboration with the Partner Banks, aimed at increasing the diffusion and use of e-money products and sharing the value of the CartaSi offer.
The commercial proposition of the Company was relaunched in particular regarding issuing and acquiring activities for third party licensees and the management of POS and ATM terminals, extending the most technologically advanced and innovative offer contents of the licence model to these lines of business.
In 2015, the Company continued along the path of innovation and digitalisation started during the previous year, developing important new activities or perfecting existing ones and establishing itself as the main technological partner for the banks, companies and the Public Administration of the Country.
At the same time, communication activities were continued aimed at increasing awareness and the distribution of CartaSi services, developing multi-channel relations with clients and valorising the CartaSi brand as the main player in the payments world.
As far as the internal structure of the Company is concerned, the continuous monitoring of the main operating drivers has allowed to minimise the impact on costs deriving from

the increase in volumes and the launch of new service areas; maximum attention has been paid to the quality of the service and the achievement of targets to improve the efficacy and efficiency of processes, so as to guarantee constant competitiveness on the market of the products and services offered.
The economic results achieved are evidence of the attention given to the management: 2015 closed with an EBITDA of Euro 127.1 million (+7.0% compared with 2014) and with a net profit for the year of Euro 71.3 million compared with the Euro 57.1 million of the previous year (+24.8%); the change in net profit benefits from the lower burden of taxation compared with 2014 which included taxes referring to previous years following an agreement with the Financial Administration.
In spite of the volatility that characterised the financial markets at the beginning of 2016 and the international geopolitical tensions, we believe that the factors that contributed to the moderate recovery of consumption in Italy can continue to favour the growth in the use of electronic money, stimulated also by the current low penetration and policies aimed at limiting the use of cash. One of the priorities of the Company will also be that of seizing the opportunities offered by the consolidation process underway in the banking system, maintaining at the same time great attention for the risk profile.
To this end, during the financial year we shall continue activities to strengthen the commercial proposition, through the development of commercial and technological solutions aimed at further winning the loyalty of the Partner Banks and clients and laying the foundations for maintaining and strengthening the market leadership; at the same time the action to improve the efficacy and efficiency of company operating processes will continue, with the aim of increasing competitiveness on the market of the products and services offered.

The Chairman
Franco Bernabè

Company bodies at 17 March 2016

Company bodies
at 17 march 2016

BOARD OF DIRECTORS

Chairman:	Franco BERNABÈ
Deputy Chairman:	Antonio PATUELLI
Deputy Chairman:	Roberto ROMANIN JACUR
Managing Director:	Giuseppe CAPPONCELLI
Directors:	Luca BASSI Gabriele BENI Riccardo BRUNO Francesco CASIRAGHI Pierpio CERFOGLI Simone CUCCHETTI Maurizio MUSSI

BOARD OF STATUTORY AUDITORS

Chairman:	Alessandro GRANGE
Standing auditors:	Lorenzo BANFI Paolo Francesco Maria LAZZATI
Alternate auditors:	Alberto BALESTRERI Marco Giuseppe ZANOBIO

GENERAL MANAGEMENT

Deputy General Manager:	Antonio D'ALOIA
Deputy General Manager:	Marco RE
Deputy General Manager:	Evaristo RICCI

Notice of Shareholders’ Meeting

Notice of Shareholders' Meeting

The Shareholders are hereby invited to attend an Ordinary Shareholders' Meeting, to take place in the Company's registered office in Corso Sempione no. 55, Milan ON 21 APRIL 2016 AT 2:30 PM ON THE FIRST CALL AND, IF NECESSARY, ON 22 APRIL 2016 AT THE SAME TIME AND IN THE SAME LOCATION ON THE SECOND CALL WITH THE FOLLOWING:

AGENDA

1. Financial statements as of 31 December 2015; management report of the Board of Directors; reports of the Board of Statutory Auditors and the External Auditing Company; relative resolutions.
2. Appointment of the members of the Board of Directors for the 2016, 2017 and 2018 financial years, with prior determination of the number of directors to be appointed. Determination of the relative remuneration.

2015 Reports and Financial Statements

Board of Directors' report on operations

INTERNATIONAL ECONOMY

After a growth phase during the summer, the Eurozone is currently feeling the effects of the slowdown of some emerging economies. The main factors behind the geopolitical tensions and highly instable markets are the uncertainty about China's development rate and the less dynamic oil exporting countries (due to the fall in oil prices).

ITALIAN ECONOMY AND MARKET

Domestic GDP started to grow again in 2015 (+0.7%, source: ISTAT, the Italian National Institute for Statistics), thanks to the decisive contribution of the upturn in consumption, which offset the lower contribution of non-EU exports, caused by the emerging economies' difficulties. The positive outlook for the economy continues to be tied to consolidation of internal demand and moderately expansionary tax policies.

Cash is still the main instrument used to make payments in Italy: in 2014, per capita transactions settled with instruments other than cash numbered 80 compared to 202.3 in the Eurozone.

The payment card sector continues to grow, although debit and prepaid cards are preferred to credit cards.

The use of debit cards that can be used to make payments at POS terminals increased in 2014 (+6.4%, source: Bank of Italy). Both their use in terms of volumes (+12.2%) and number of transactions (+13.4%) rose. Prepaid cards also gained ground (+13.9%) with volumes and transactions up 14.8% and 19.4%, respectively.

Conversely, the dissemination of credit cards has shrunk although they are used more often: the number of cards has decreased by 3.0% while the payment volumes and number of transactions have increased by 6.0% and 9.6%, respectively.

This trend is confirmed by the company's most recent estimates for the market in 2015. The international credit and debit cards sector grew by 9.6% over 2014 with their use at POS terminals up 9.6% and cash withdrawals from ATMs by

9.8%. In terms of product type, purchases at shops paid for using international debit cards and prepaid cards increased by 17.1%, while those using credit cards increased 9.1%. The commercial cards grew by 8.9%, higher than the rate for consumer cards (classic +6.7%, premium +1.2%).

The revolving card sector is growing (source: Assofin) with the value of financed transactions up 13.7% in the first 11 months of the year for the pure revolving cards (+6.4%) and especially the cards with payment options (+15.0%).

Dear shareholders,

The company recorded a gross operating profit of €127.1 million for the year (+7.0% on 2014) and a profit of €71.3 million compared to €57.1 million for 2014.

The considerable jump in the profit for the year (+24.8%) is partly due to the fact that the 2015 income tax expense of €32.3 million is lower than that for 2014, which included prior year taxes of €7.8 million related to an agreement reached with the Italian tax authorities.

The key events of the year are described below.

NON-RECURRING TRANSACTIONS

During the first half of the year and as part of its project to develop and consolidate its competitive position, the company continued the corporate and industrial integration of Unicard, of which it acquired 100% in 2014, in line with ICBPI Group's organisational model.

On 31 July 2015 with accounting effect from 1 January 2015, the merger of Unicard into CartaSi was executed, as per the board of directors' resolution of 21 May 2015.

On 22 June 2915, the parent informed CartaSi's board of directors that some of its shareholders (holding 85.79% of ICBPI's share capital) had signed a preliminary agreement with Mercury Italy S.r.l. to sell the bank following the conclusion of the due diligence performed early in the year. This vehicle is indirectly owned by the Avent International Corporation and Bain Capital Europe LLP funds and Clessidra SGR S.p.A.

On 18 December 2015, the board of directors was informed that the transaction for the transfer of ownership of ICBPI Group to Mercury Italy S.r.l. had been closed, with the latter acquiring 88.95% of the parent, ICBPI. The remaining shareholders held on to their shares.

The sales transaction entailed the significant involvement of CartaSi's employees who worked on a tight schedule with the parent to prepare the dataroom, to participate in meetings with the potential buyers and, to structure the buyers' high yield loan during the period between the signing and closing.

CORPORATE GOVERNANCE

On 9 April 2015, the shareholders appointed a new board of directors, with 15 members, and a new board of statutory auditors for the years from 2015 to 2017.

On the same date, the board of directors resolved to confirm Ms. Laura Cioli as managing director until the end of the board's term of office (approval of the

2017 financial statements) and concurrently gave her the necessary powers.

During its meeting of 4 November 2015, the board of directors acknowledged Ms. Cioli's resignation, presented on 29 October 2015, and elected Mr. Giuseppe Capponcelli as the pro tempore managing director until the next shareholders' meeting. He was given the necessary powers, including the proxies for exclusive responsibility for overlapping areas with the ICBPI and CartaSi member banks.

Concurrently with execution of the transfer of ownership of ICPBI Group from the former shareholders to Mercury Italy S.r.l. on 18 December 2015, the shareholders met in an extraordinary meeting and approved amendments to articles 16, 19, 25 and 28 of the company's by-laws, increasing the number of deputy chairmen to two.

On the same date, during their ordinary meeting, the shareholders elected the 11 members of the board of directors, to remain in office until the approval of the 2015 financial statements, and the statutory auditors for 2015, 2016 and 2017.

On 18 December 2015, the board of directors approved the election of Mr. Franco Bernabè and Mr. Capponcelli as chairman and managing director, respectively, until the board's term of office expires (approval of the 2015 financial statements). The directors also confirmed the managing director's powers. On the same date, the board of directors also elected Messrs. Antonio Patuelli and Roberto Romanin Jacur as deputy chairmen until the board's term of office expires.

SUPERVISORY BODY AS PER LEGISLATIVE DECREE NO. 231/2001

On 9 April 2015, the board of directors resolved to assign the board of statutory auditors the duties of the 231 supervisory board, as instructed by the parent and Bank of Italy.

The board of statutory auditors met twice during the year in its role as supervisory body.

ORGANISATION

The company undertook projects during the year to reorganise itself aimed at clarifying roles and responsibilities, stepping up customer relationships and simplifying both its internal organisation and relations with its external stakeholders.

CartaSi is managed and coordinated by its parent, Istituto Centrale delle Banche Popolari Italiane. During the year, it continued to fine-tune its organisational model so that its internal regulations correctly and promptly comply with the legal and supervisory provisions applicable to it and ICBPI Group.

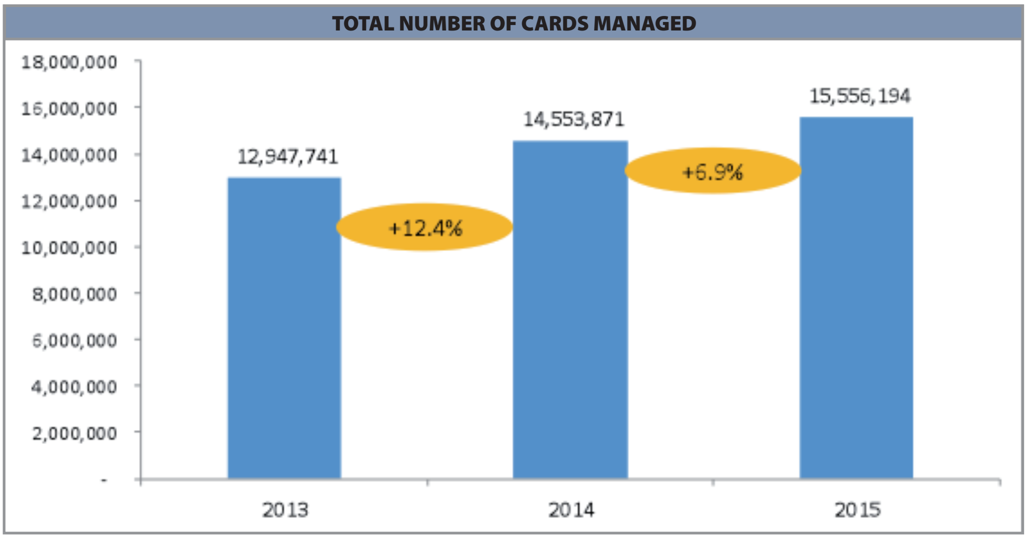
The company availed of its parent's services to carry out its operations. These are regulated in the "Services tender agreement" and the "Service annexes" approved by its directors in their meeting of 9 April 2015.

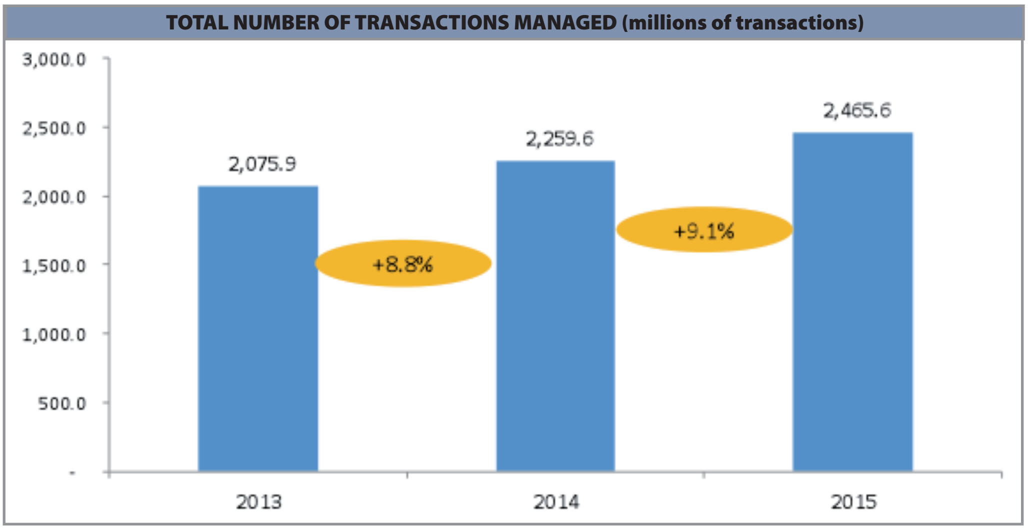
BANK OF ITALY INSPECTIONS

Bank of Italy carried out an inspection of ICBPI Group in the period from 19 February to 29 May 2015. This covered the Group's governance system and the operational risk management and control system. The central bank's findings were partly positive and no sanctioning procedures begin involving the company.

PERFORMANCE

The company managed roughly 15.6 million cards and over 2.4 billion transactions during the year.





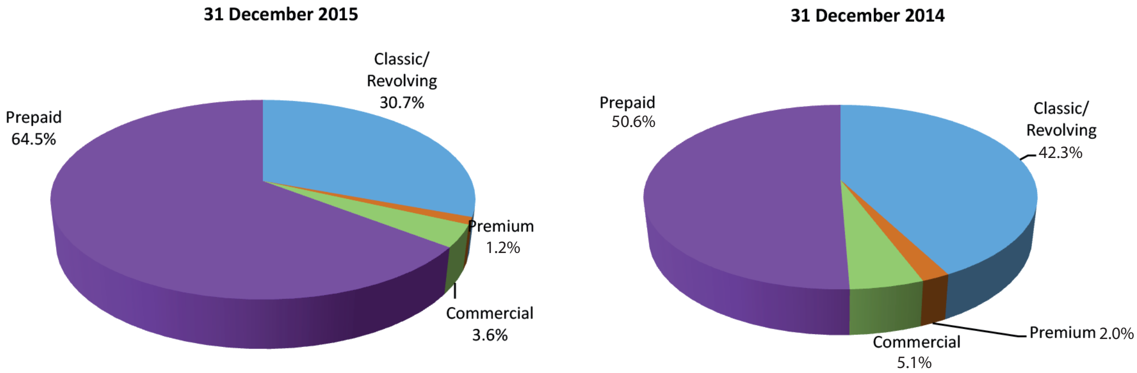
It has three main business segments:

- card issuing and acquiring under direct licence and on behalf of banks;
- servicing;
- POS and ATM terminal management.

<u>Card issuing and acquiring under direct licence and on behalf of banks</u>

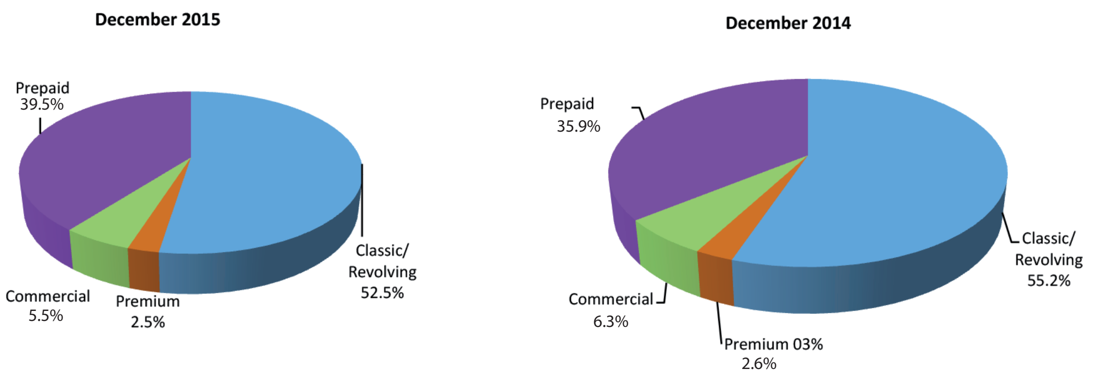
- the number of cards increased by 7.0% on 2014 to nearly 9.4 million cards at year end, thanks to new issues (1.8 million cards) and the volumes contributed with the acquisition of Unicard which more than offset the continued outflow of the former shareholders' banking groups to their own products;
- there was an increase in the number of prepaid cards issued during the year (1.8 million cards), which are mostly co-branded;

NEW ISSUES

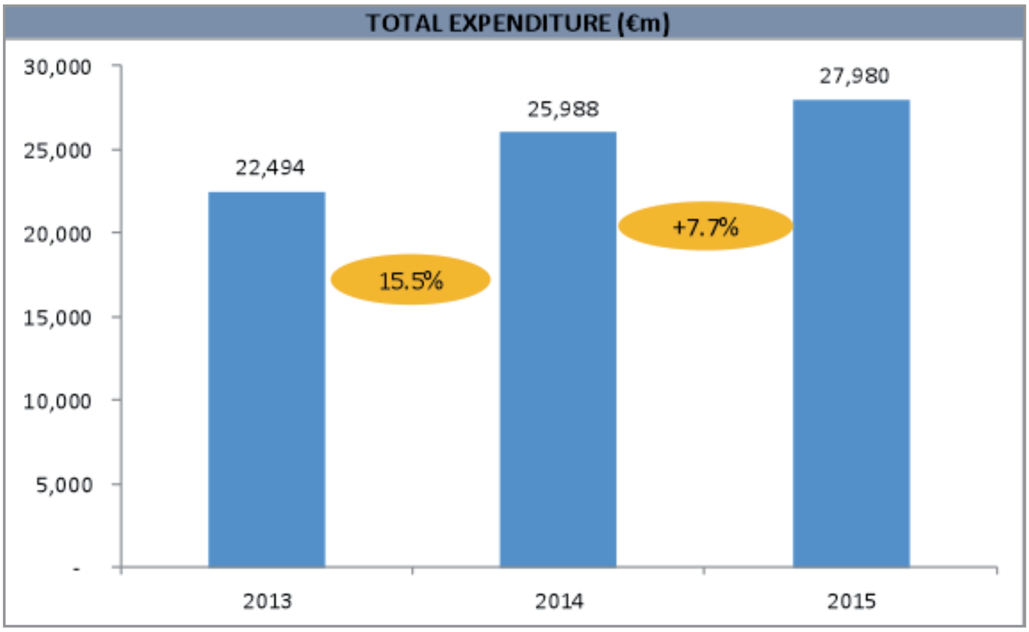


- the prepaid cards account for a greater share of the company's business based on the cards in use at year end;

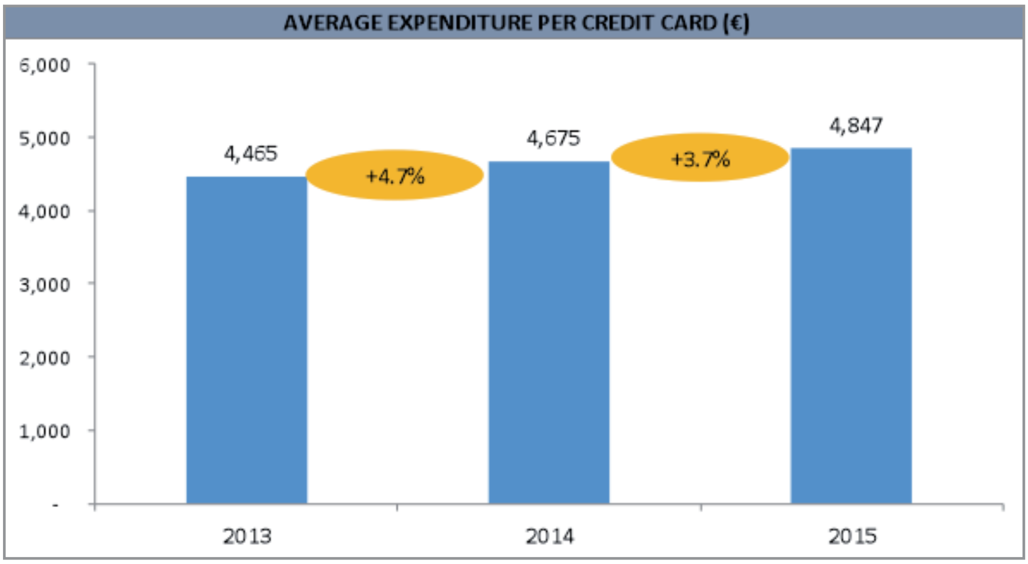
STOCK



- total expenditure by cardholders amounted to roughly €28.0 billion, up 7.7% on 2014;

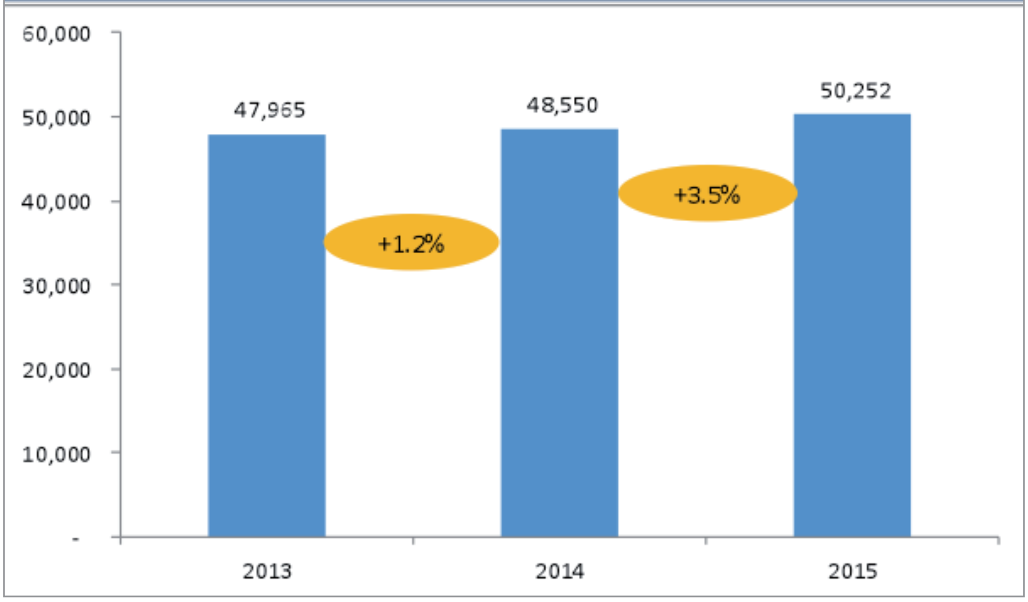


- the average use of directly licensed credit cards, which is one of the highest in the reference market, grew despite the negative economic situation, thanks in part to the promotions and spending simulation measures rolled out during the year;



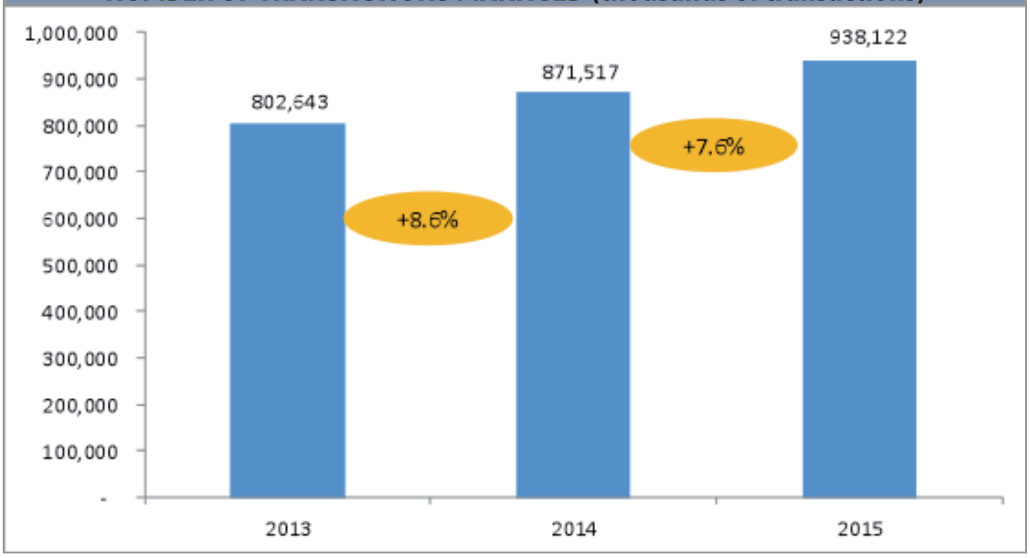
- acquiring volumes grew by 3.5% on 2015 to around €50.3 billion;

TOTAL EXPENDITURE MANAGED (€m)



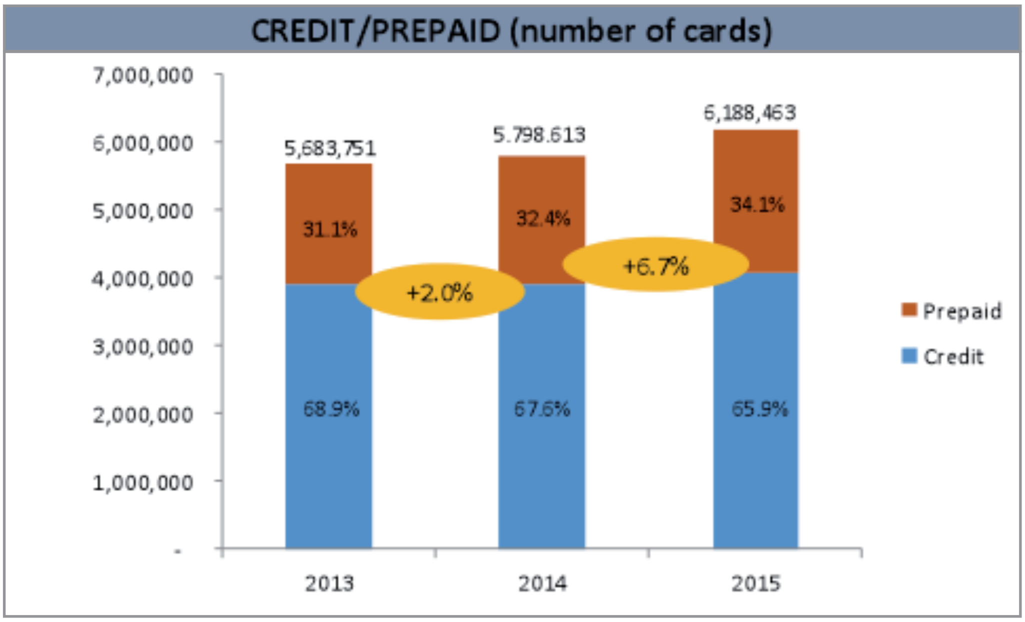
- the number of issuing and acquiring transactions increased by 7.6%.

NUMBER OF TRANSACTIONS MANAGED (thousands of transactions)

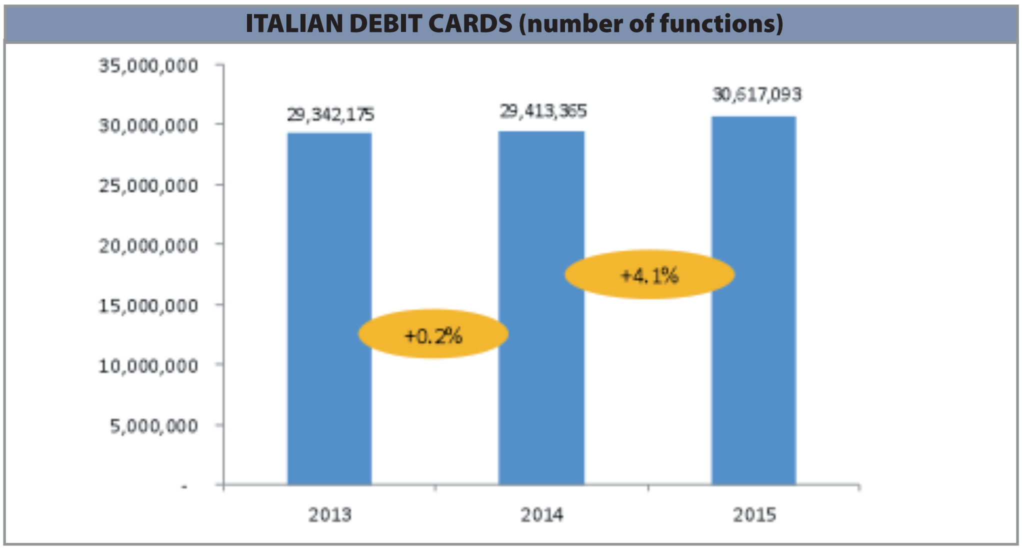


Servicing

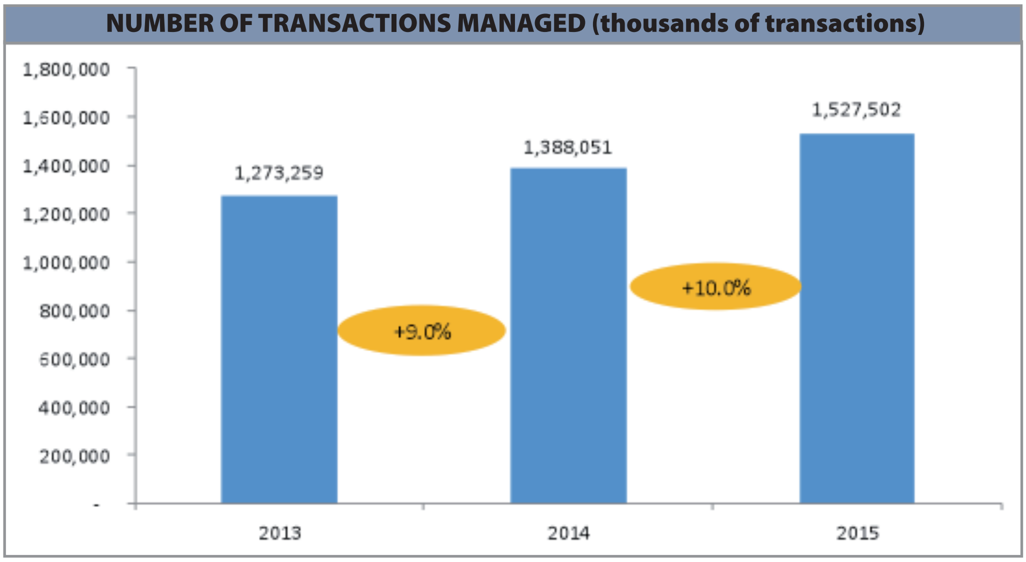
- cards managed on behalf of third party licensees numbered about 6.2 million, up 6.7%;



- the number of functionalities of Italian debit cards (30.6 million) increased by 4.1%;

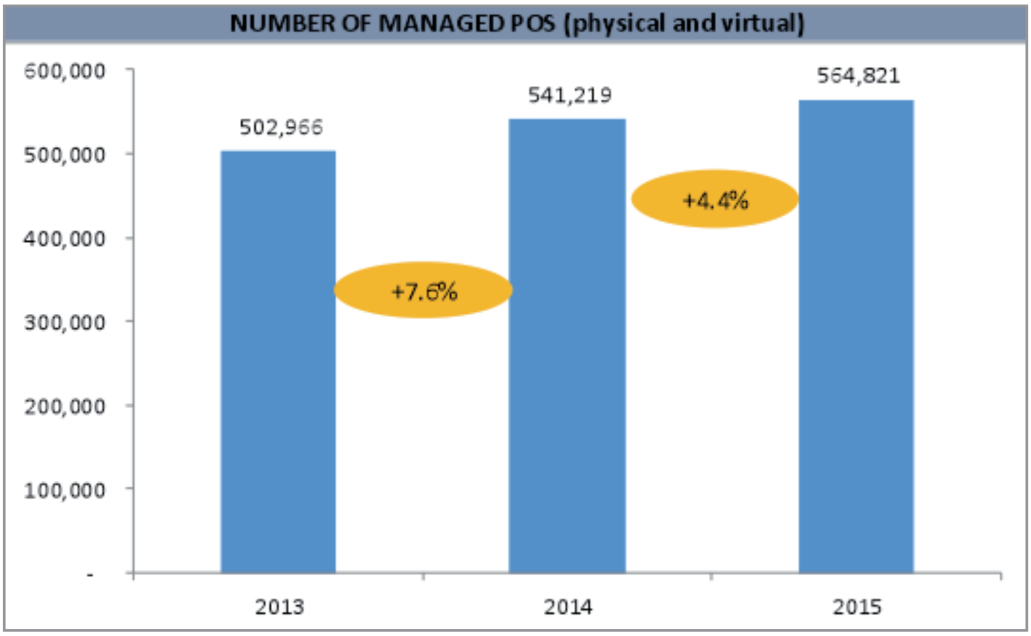


- the total number of transactions managed (1,528 million) grew by 10.0% on the previous year.

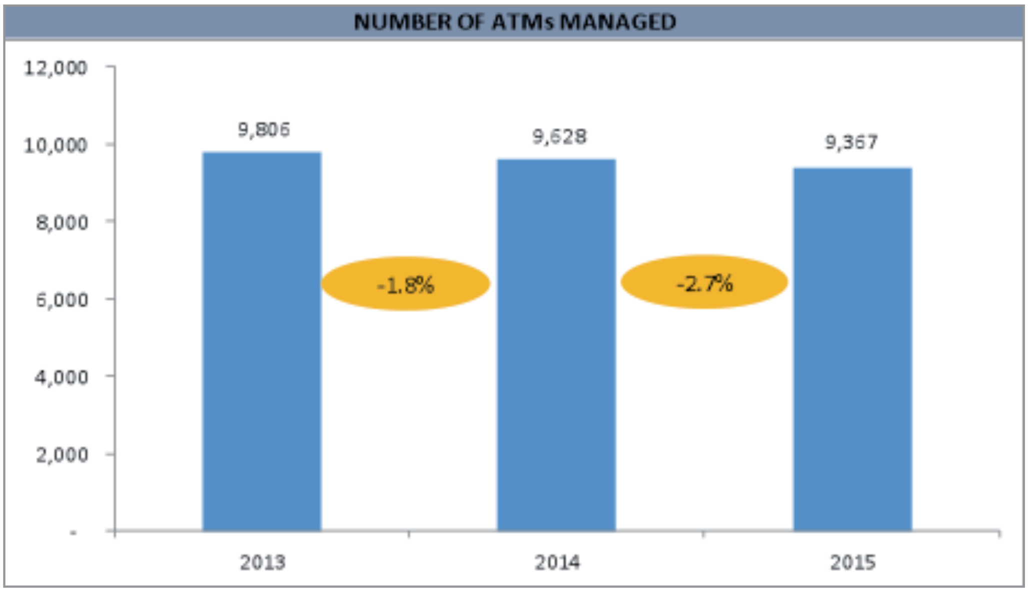


Terminal management

- the number of POS terminals (e-commerce and physical - over 13 thousand units and roughly 551 units, respectively) grew, partly as a result of Law decree no. 150 of 30 December 2013 which made it mandatory to accept payment cards for the purchase of goods, services and professional services for amounts of more than €30, starting from 30 June 2014;
- the number of virtual POS terminals continues to grow at a good pace (+7.3%) due to the sector's development and the commercial campaigns;



- ATM terminals managed number 9.4 thousand units, down on the previous year (-2.7%) following the streamlining of their branch networks by some banking group customers.



FINANCIAL HIGHLIGHTS

A comparison with the previous year figures is provided below.

The merger of Unicard took place on 31 July 2015 and did not have a significant effect on the comparability of the two years.

(€/000)	Actual 2015	Actual 2014	Variation %
Net fee and commission income and revenue from services	443,158	431,327	2.7%
Net interest expense	- 5,377	- 6,980	- 23.0%
Gains on securities and exchange rate gains	- 405	- 400	1.1%
Dividends and other income	16	11	42.5%
Operating revenue	**437,393**	**423,957**	**3.2%**
Personnel expense	- 38,523	- 37,149	3.7%
Production costs	- 100,825	- 103,713	- 2.8%
ICT costs	- 133,313	- 123,670	7.8%
General expenses	- 26,212	- 27,242	- 3.8%
Administrative expenses	**- 298,874**	**- 291,774**	**2.4%**
Other income and costs	1,044	- 530	- 297.1%
Operating provisions	- 12,416	- 12,873	- 3.5%
Operating costs (net of amortisation and depreciation)	**- 310,246**	**- 305,176**	**1.7%**
Gross operating profit	**127,147**	**118,781**	**7.0%**
Amortisation and depreciation	- 21,663	- 18,536	**16.9%**
Operating profit	**105,484**	**100,246**	**5.2%**
Other items	- 1,874	- 2,306	- 18.7%
Pre-tax profit for the year	**103,610**	**97,939**	**5.8%**
taxes and duties	- 32,321	- 40,828	- 20.8%
Profit for the year	**71,289**	**57,111**	**24.8%**

The company recorded a gross operating profit of €127.1 million for the year (+7.0% on 2014) and a pre-tax profit of €103.6 million, better than the previous year (+5.8%). The profit for the year came to €71.3 million compared to €57.1 million for 2014 (+24.8%).

With respect to 2014:

- fee and commission income and revenue from services, net increased by 2.7% to €443.2 million;

- net interest expense was €5.4 million, an improvement of 23.0%;
- personnel expense came to €38.5 million (+3.7% on 2014);
- the other administrative expenses at €260.4 million increased by 2.2% on the previous year;
- income tax expense decreased to €32.3 million due to the fact that the 2014 balance included prior year taxes of €7.8 million following the agreement with the tax authorities and the company benefitted from the deductibility of the IRAP tax on personnel expense in 2015.

The statement of financial position includes the effects of the Unicard merger carried out during the year.

ASSETS	31/12/2015	31/12/2014	
Cash and cash equivalents	22.0	15.8	39.4%
Available-for-sale financial assets	3.762.5	2,621.9	43.5%
Loans and receivables	2,368.975.6	2,466.781.8	-4.0%
Equity investments	0.0	3,500.0	-100.0%
Property and equipment	81,673.2	80,614.6	1.3%
Intangible assets	9,969.7	9,624.5	3.6%
Tax assets			
a) current	975.6	0.0	N.A.
b) deferred	21,399.1	19,816.7	8.0%
Non-current assets held for sale and disposal groups	186,205.9	0.0	N.A.
Other assets	228,100.9	250,887.5	-9.1%
TOTAL ASSETS	**2,901.084.4**	**2,833,862.7**	**2.4%**

LIABILITIES	31/12/2015	31/12/2014	
Liabilities	1,905,977.1	1,972,767.0	-3.4%
Tax liabilities			
a) current	0.0	55.8	-100.0%
b) deferred	17,480.9	3,892.9	349.0%
Other liabilities	268,785.0	348,996.5	-23.0%
Post-employment benefits	6,769.8	6,929.0	-2.3%
Provisions for risks and charges:			
b) other provisions	15,803.1	17,207.6	-8.2%
TOTAL LIABILITIES	**2,214,815.8**	**2,349,848.8**	**-5.7%**
Share capital	56,888.8	56,888.8	-
Share premium	2,273.7	2.273.7	-
Reserves	379,885.3	365,569.7	3.9%
Valuation reserves	175,931.9	2,170.6	8005.1%
Profit for the year	71,288.9	57,111.1	24.8%
TOTAL EQUITY	**686,268.6**	**484,013.9**	**41.8%**
TOTAL LIABILITIES AND EQUITY	**2,901,084.4**	**2,833,862.7**	**2.4%**

Specifically:

- loans and receivables of €2,369.0 million are smaller than at 31 December 2014 due to the reduction in direct license expenditure (net of the licences on behalf of banks);
- the equity investments balance is nil due to the merger of Unicard during the year;
- property, equipment and investment property increased as a result of the greater number of POS terminals;
- non-current assets held for sale and disposal groups of €186.2 million include the reversal of the impairment loss on the equity investment in Visa Europe;
- liabilities of €1,906.0 million mainly consist of funding from the card management business which is in line with loans and receivables;
- provisions for risks and changes decreased to €15.8 million due to their release to reflect the remaining risks.

The main changes in the loans and receivables at the reporting date compared to 31 December 2014 are as follows:

- receivables from cardholders amounted to €28.6 million at year end compared to €29.7 million at the end of 2014. Specifically, non-performing exposures decreased by €1.0 million to €2.3 million (31 December 2014: €3.3 million). The impairment loss percentage of non-performing exposures is 100% for 2015;
- receivables from merchants amounted to €43.2 million at year end compared to €51.7 million at the end of 2014. Specifically, non-performing exposures decreased by €1.5 million to €1.9 million (31 December 2014: €3.4 million) following measures to recover them and the full impairment of irrecoverable amounts. The impairment loss percentage of non-performing exposures is 100% for 2015.

TRANSACTIONS WITH BANKS AND COMMERCIAL INITIATIVES

During the year, the company undertook commercial initiatives with its partner banks to increase the circulation and use of e-money products, both in terms of card issuing and acquiring. Specifically, it repeated the commercial incentive plans aimed at banks, designed to increase the number of cards in circulation and to boost the issue of products with higher value added and expenditure volumes.

It also carried out acquiring promotions, designed to further stimulate the partner bank networks to increase the number of transactions and the acquisition/retention of large customers. Specifically, it focused on developing the corporate segment in terms of both issuing and acquiring services, especially the supermarket chains, telecommunications and insurance sectors.

CartaSi renewed its support activities for banks, introducing a new mechanism for its road shows: in addition to the shows usually designed to promote the company's initiatives, it set up a contact desk for the banks to proactively respond to their requirements, also given the market's steady move towards the digital era.

The company also relaunched its commercial offer for its issuing and acquiring services on behalf of third party licensees. This involved extending the content of the licensed model and innovative products (HCE, international debt, fraud prevention) to customers under servicing contracts and for which it manages their POS and ATM terminals.

Finally, on 9 December 2015, CartaSi implemented all the activities to comply with the provisions of Ministerial decree no. 51/2014 dated 14 February 2014 issued by the Ministry for the Economy and Finance (Regulation on commissions applied to transactions performed by payment cards).

MULTI-CHANNEL SYSTEM AND INNOVATION

During the year, the company continued its innovation and digitalisation projects commenced in 2014, developing important new activities or improving existing ones, including:

- the gradual spread of the MySi wallet, the proprietary "e-wallet" solution; the launch of the new release of the MySi app in June 2015 offering a completely renovated user experience which provides customers not only with mobile services supporting CartaSi services (information services and devices) and the mobile wallet functionality but also benefits provided by the new engagement and loyalty services;
- certification and inclusion of the MySi e-wallet as one of the "e-wallets" members of the MasterPass service provided by MasterCard;
- industrialisation of the payment solution using smartphones with the HCE (Host Card Emulation) technology in the MySi mobile wallet in order to cover all cards managed and the launch of the first test in Italy, as well as feasibility analyses to integrate the company's proprietary platform with mobile proximity payment or alternative value added services (VAS) solutions;
- performance of the "Cashless city" project in Bergamo promoted by the company which, with the involvement of local institutions, the public ad-

ministration, banks, payment circuits (Consorzio Bancomat, MasterCard, Visa), private sector companies and technological enablers, is designed to enhance the e-payment systems at the citizens' service, involved in turn through their use of an App and a special site with communication, education and incentive systems. The project was completed in December 2015 with excellent results in terms of the involvement of the population, the public administration and, especially, the increase in e-money expenditure: +10% compared to the same period of 2014.

COST AND SERVICE LEADERSHIP

The operating units were involved in the customary performance and monitoring of ordinary activities during the year.

Their constant monitoring of the main indicators and the most significant operating drivers enabled the company to minimise the impact of the increase in volumes and the launch of new services.

The company paid utmost attention to service quality and the achievement of its targets to improve process efficiency and effectiveness, ensuring the cross-company use of the solutions introduced.

COMMUNICATION AND BRAND MANAGEMENT

During 2015, CartaSi continued its communication activities aimed at increasing the market's awareness of its services and developing customer relationships by creating and achieving activities (online and offline) to support new projects and generate greater awareness of its products.

It also continued to manage its social and social care channels, its website (CartaSi.it) and related sites (updating content, optimising content for its positioning on research engines) and the monthly multi-channel communication plan for cardholders, merchants and banks through its communication channels (sites, social networks, direct e-mails and account statements).

Once again this year, the company sponsored specialist seminars and scientific research as well as managing the communications about the Bergamo cashless city project.

Finally, CartaSi organised roadshows with banks in April and May to enhance and build its relationships with its partner banks.

CARTASI PURCHASES OBSERVATORY

During the year, CartaSi's purchases observatory continued its role as an authoritative source of information about the Italian consumers' expenditure habits, as shown by its constant presence on the Italian media. There were 223 publications on local and national press during the year and the company also continued to work with the Ministry for the Economy and Finance and with some newspapers.

The fifth book presenting the 2014 results was published together with the usual analyses of trends in Italian consumers' expenditure habits as well as the two editions (spring and autumn) of the report which sets out forecasts for expenditure trends for the next two years. Key business people (from banks, private sector companies and the public administration) and the most important newspapers contributed to these publications.

HUMAN RESOURCES

At year end, the company's workforce numbered 534 compared to 532 at the end of the previous year.

	31/12/2014		31/12/2015		Delta	
	NO.	FTE	NO.	FTE	NO.	FTE
Managers	15	15.0	15	15.0	-	-
Junior managers	193	191.2	192	190.1	-1	-1.1
White collars	324	300.8	327	303.8	3	3.0
Term contracts						
Total	**532**	**507.0**	**534**	**508.9**	**2**	**1.9**

During the year, employees were provided with a total of 17,740 training hours, including 7,470 hours of mandatory training, 4,251 hours of specialist training and 6,019 hours of managerial training.

ICBPI Group's remuneration and incentive policies, defined by the parent and approved by the company's board of director on 21 May 2015, are in line with the guidelines issued by Bank of Italy about remuneration and incentive policies and practices for banks and banking groups.

MAIN RISKS

The main risks the company is exposed to are operational and credit risks. Its controls in place to mitigate these risks are described in the relevant section of the notes.

The company did not have any derivatives at year end.

GOING CONCERN

The company does not foresee any critical issues with respect to its future development, except for any unforeseeable negative market fluctuations. Therefore, the directors confirm the reasonable certainty that the company will continue to operate in the foreseeable future and, therefore, they have prepared the financial statements on a going concern basis.

At present, the directors do not expect the company's going concern to be an issue as it expects that the credit and debit card market will continue to perform positively. Despite being very dependent on consumption on the one hand and given its favourable trend on the other, the market is influenced by the fact that credit and debit card payment methods are conquering larger market share, to the detriment of cash.

The company can also rely on the large number of bank customers with which it has built up relationships over the years, strengthened by its membership of ICBPI Group.

RESEARCH AND DEVELOPMENT

Pursuant to article 2428.2 of the Italian Civil Code, it should be noted that the company has not recognised research and development expenditure in its statement of financial position.

TRANSACTIONS WITH THE PARENT, SUBSIDIARIES AND ASSOCIATES

CartaSi is managed and coordinated by its parent, Istituto Centrale delle Banche Popolari Italiane.

At year end, ICBPI controls the company holding 96.7% of its share capital. As required by article 2428 of the Italian Civil Code, the company discloses that it does not directly or indirectly, via trustees or nominees, hold own shares or shares of its parent.

RELATED PARTY TRANSACTIONS

ICBPI Group has a specific regulation governing transactions with related parties, published on its website (www.icbpi.it), to prevent the risk that the closeness of certain parties ("related parties") to the company's decision-making centres could compromise the objectivity and impartiality of its decisions, leading to possible incorrect allocations of resources, the company's exposure to risks that are not properly measured or monitored or potential damage to the company and its stakeholders.

No transactions took place with related parties during the year at other than market conditions or that would have a significant effect on the Group's financial position or performance. More information about transactions with related parties is available in the notes.

EVENTS AFTER THE REPORTING DATE

On 18 January 2016, the parent increased its investment in CartaSi buying 0.8% thereof from other shareholders. Accordingly, ICBPI now holds roughly 97.5% of the company's share capital.

OUTLOOK

Prospects for the global economy are uncertain due to the international geopolitical tensions, the very unstable markets and the emerging economies' slowdown.

The company will prioritise seizing the opportunities provided by the banking sector's ongoing consolidation while also focusing on its risk profile.

During 2016, it will continue to develop its business and speed up the offer of new commercial products by designing solutions aimed at bolstering its bank partners' and customers' loyalty. It will also lay the groundwork to grow its operations.

Specifically, CartaSi will focus on technological innovation projects and the development of various forms of mobile payments in order to retain and strengthen its leadership position.

It will concurrently continue to make its operating processes more efficient and effective to ensure the competitiveness of its products and services.

Dear shareholders,

ALLOCATION OF THE PROFIT FOR THE YEAR

The financial statements presented for your examination and approval show a profit for the year of €71,288,932

Considering the parent's guidelines, we propose that a dividend of €0.75 per share be paid to the shareholders and, therefore, to allocate the profit for the year as follows:

▪ extraordinary reserve	€	177,934
▪ shareholders, as € 0.75 per share for each of the 94,814,664 shares making up its share capital	€	71,110,998
Total	**€**	**71,288,932**

Statement of financial position at 31 december 2015

STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2015	31/12/2014
10	Cash and cash equivalents	22,015	15,796
40	Available-for-sale financial assets	3,762,517	2,621,863
60	Loans and receivables	2,368,975,621	2,466,781,771
90	Equity investments	-	3,500,000
100	Property, equipment and investment property	81,673,157	80,614,597
110	Intangible assets	9,969,718	9,624,501
120	Tax assets		
	a) current	975,584	-
	b) deferred	21,399,065	19,816,703
	- including as per Law no. 214/2011	13,323,345	13,049,915
130	Non-current assets held for sale and disposal groups	186,205,855	-
140	Other assets	228,100,902	250,887,474
	TOTAL ASSETS	**2,901,084,434**	**2,833,862,705**

(€)

STATEMENT OF FINANCIAL POSITION

	Liabilities and equity	31/12/2015	31/12/2014
10	Liabilities	1,905,977,079	1,972,766,984
70	Tax liabilities		
	a) current	-	55,786
	b) deferred	17,480,850	3,892,916
90	Other liabilities	268,785,036	348,996,467
100	Post-employment benefits	6,769,799	6,929,046
110	Provisions for risks and charges:		
	b) other provisions	15,803,053	17,207,573
120	Share capital	56,888,798	56,888,798
150	Share premium	2,273,684	2,273,684
160	Reserves	379,885,319	365,569,706
170	Valuation reserves	175,931,884	2,170,624
180	Profit for the year	71,288,932	57,111,121
	TOTAL LIABILITIES AND EQUITY	**2,901,084,434**	**2,833,862,705**

(€)

INCOME STATEMENT

		2015	2014
10	Interest and similar income	25,315,151	27,061,404
20	Interest and similar expense	-35,569,143	-36,793,766
	Net interest expense	**-10,253,992**	**-9,732,362**
30	Fee and commission income	926,095,033	917,932,656
40	Fee and commission expense	-639,529,447	-643,962,722
	Net fee and commission income	**286,565,586**	**273,969,934**
50	Dividends and similar income	15,780	11,075
60	Net trading income (losses)	37,827	-442,348
90	Net profit on sale or repurchase of:		
	a) financial assets	109	0
	b) financial liabilities		
	Total income	**276,365,310**	**263,806,299**
100	Net impairment losses:		
	a) financial assets	-2,599,251	-4,032,877
110	Administrative expenses:		
	a) personnel expense	-38,940,606	-39,427,013
	b) other administrative expenses	-311,425,194	-311,759,229
120	Depreciation and net impairment losses on property, equipment and investment property	-18,754,364	-16,746,677
130	Amortisation and net impairment losses on intangible assets	-3,747,282	-1,862,931
150	Net accruals to provisions for risks and charges	-739,956	-272,208
160	Other operating income	203,451,442	208,233,946
	Operating profit	**103,610,099**	**97,939,310**
	Pre-tax profit from continuing operations	**103,610,099**	**97,939,310**
190	Income taxes	-32,321,167	-40,828,189
	Post-tax profit from continuing operations	**71,288,932**	**57,111,121**
	Profit for the year	**71,288,932**	**57,111,121**

(€)

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2015	31/12/2014
10	**Profit for the year**	**71,288,932**	**57,111,121**
	Items, net of tax, that will not be reclassified subsequently to profit or loss		
20	Property, equipment and investment property		
30	Intangible assets		
40	Defined benefit plans	237,333	-803,777
50	Non-current assets held for sale		
60	Share of valuation reserves of equity-accounted investees		
	Items, net of tax, that will be reclassified subsequently to profit or loss		
70	Hedges of investments in foreign operations		
80	Exchange rate gains (losses)		
90	Cash flow hedges		
100	Available-for-sale financial assets	1,062,410	595,979
110	Non-current assets held for sale	172,511,660	
120	Share of valuation reserves of equity-accounted investees		
130	**Other comprehensive income (expense), net of tax**	**173,811,403**	**-207,798**
140	**Comprehensive income (captions 10 + 130)**	**245,100,335**	**56,903,323**

(€)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(€'000)

	Balance at 31 December 2013	Change to opening balances	Balance at 1 December 2014	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes for the year: Changes in reserves	Changes for the year: Equity transactions: Issue of new shares	Changes for the year: Equity transactions: Repurchase of treasury shares	Changes for the year: Equity transactions: Extraordinary dividend distribution	Changes for the year: Equity transactions: Change in equity instruments	Changes for the year: Equity transactions: Other changes	2014 comprehensive income	Equity at 31.12.2014
Share capital	56,889		56,889										**56,889**
Share premium	2,274		2,274										**2,274**
Reserves:													
a) income-related	193,150		193,150	12,946									**206,096**
b) other IFRIC 13	(2,778)		(2,778)										**(2,778)**
c) merger goodwill	160,208		160,208			(2,078)							**158,130**
d) other	4,121		4,121										**4,121**
Valuation reserves	2,378		2,378									(207)	**2,171**
Equity instruments	0		0										**0**
Treasury shares	0		0										**0**
Profit for the year	52,768		52,768	(12,946)	(39,822)							57,111	**57,111**
Equity	**469,010**	**0**	**469,010**	**0**	**(39,822)**	**(2,078)**	**0**	**0**	**0**	**0**	**0**	**56,903**	**484,014**

Variations in the valuation reserve refer to the Visa Inc. shares (€804 thousand) and defined benefit plans (-€596 thousand).

The variation in the merger goodwill reserves refers to the goodwill that arose on C-Card merger which was not recognised under intangible assets.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(€'000)

				Allocation of prior year profit		Changes for the year							
							Equity transactions						
	Balance at 31 December 2014	**Change to opening balances**	**Balance at 1 December 2015**	**Reserves**	**Dividends and other allocations**	**Changes in reserves**	**Issue of new shares**	**Repurchase of treasury shares**	**Extraordinary dividend distribution**	**Change in equity instruments**	**Other changes**	**2015 comprehensive income**	**Equity at 31.12.2015**
Share capital	56,889		56,889										**56,889**
Share premium	2,274		2,274										**2,274**
Reserves:													
a) income-related	206,096		206,096	14,445									**220,541**
b) other IFRIC 13	(2,778)		(2,778)										**(2,778)**
c) merger goodwill	158,130		158,130								(129)		**158,001**
d) other	4,121		4,121										**4,121**
Valuation reserves	2,171		2,171								(50)	173,811	**175,932**
Equity instruments	0		0										**0**
Treasury shares	0		0										**0**
Profit for the year	57,111		57,111	(14,445)	(42,666)							71,289	**71,289**
Equity	**484,014**	**0**	**484,014**	**0**	**(42,666)**	**0**	**0**	**0**	**0**	**0**	**(179)**	**245,099**	**686,269**

Variations in the valuation reserve refer to the Visa Inc. shares (€1,062 thousand), Visa Europe (€172,512 thousand) and defined benefit plans (€237 thousand).

STATEMENT OF CASH FLOWS (Indirect Method)

(€'000)

A. OPERATING ACTIVITIES	31.12.2015	31.12.2014
1. Operations	**95,959**	**80,031**
- profit for the year (+/-)	71,289	57,111
- net impairment losses (+/-)	2,599	4,033
- net impairment losses on property, equipment and investment property and intangible assets (+/-)	22,502	18,610
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	740	272
- unpaid taxes, duties and tax assets (+/-)	(1,186)	(51)
- other adjustments (+/-)	16	56
2. Cash flows generated by financial assets	**121,357**	**189,412**
- available-for-sale financial assets	1	0
- loans and receivables with banks	2,233	122,659
- loans and receivables with financial institutions	(12,082)	10,211
- loans and receivables with customers	105,857	70,757
- other assets	25,348	(14,215)
3. Cash flows used by financial liabilities	**(150,677)**	**(190,774)**
- due to banks	(69,742)	(136,984)
- due to financial institutions	(9)	(624)
- due to customers	2,960	3,157
- other liabilities	(83,887)	(56,323)
Net cash flows generated by operating activities	**66,640**	**78,669**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**16**	**11**
- dividends from equity investments	16	11
2. Cash flows used to acquire	**(23,982)**	**(39,267)**
- equity investments	0	(3,500)
- property, equipment and investment property	(20,516)	(20,917)
- intangible assets	(3,466)	(4,929)
- business units	0	(9,921)
Net cash flows used in investing activities	**(23,966)**	**(39,256)**
C. FINANCING ACTIVITIES		
- dividend and other distributions	(42,667)	(39,822)
Net cash flows used in financing activities	**(42,667)**	**(39,822)**
NET CASH FLOWS FOR THE YEAR	**6**	**(409)**

RECONCILIATION

Financial statements captions	31.12.2015	31.12.2014
Opening cash and cash equivalents	16	425
Net cash flows for the year	6	(409)
Closing cash and cash equivalents	**22**	**16**

Notes of the financial statements

Part A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 - Statement of compliance

Pursuant to Regulation (EC) 1606 of 19 July 2002, the company has prepared these financial statements as at and for the year ended 31 December 2015 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. They were introduced into Italian law with Legislative decree no. 38/2005.

The company applied the IFRS enacted at 31 December 2015 and Bank of Italy's instructions about financial statements of financial intermediaries issued on 15 December 2015.

It did not make any departures from the IFRS.

Section 2 - Basis of presentation

The company's presentation currency is the Euro and the amounts shown in the financial statements and these notes are in Euros.

The company has applied the recognition and measurement criteria established by the IFRS endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

Application of the measures set out in Regulations (EU) 634/2014 and 1361/2014 became mandatory on 1 January 2015 enacting:

- IFRIC 21, which provides guidance on when to recognise a liability for a levy imposed by a government other than income taxes (covered by IAS 12). Specifically, it identifies the obligating event for the recognition of a liability;
- the Annual improvements to IFRSs 2011-2013 cycle, which introduced certain immaterial amendments to IFRS 3, IFRS 13 and IAS 40, designed to clarify certain inconsistencies and/or provide guidance about methods.

Their application did not significantly affect the company's financial statements.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2016 (for entities whose reporting period is the calendar year) or subsequently.

Endorsement regulation	Name	Standard/Interpretation	Year of application
28/2015	Annual improvements to IFRS (2010-2012 cycle)	Amendments to the following standards: - IFRS 2 - Share-based payment: changes to the vesting conditions - IFRS 3 - Business combinations: classification and measurement of contingent consideration - IFRS 8 - Operating segments: reconciilation of the total of the reportable segments' assets to the entity's assets - IFRS 13 - Fair value measurement: short-term receivables and payables - IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets: clarification about how to apply the revaluation method - IAS 24 - Related party disclosures: definition of a related party	2016
2343/2015	Annual improvements to IFRS (2012-2014 cycle)	Amendments to the following standards: - IFRS 5 - Non-current assets held for sale and discontinued operations: changes to methods of disposal - IFRS 7 - Financial instruments: disclosure: "Continuing involvement" in the case of a servicing contract - IAS 19 - Employee benefits: clarifications about the discount rate - IAS 34 - Interim financial reporting: disclosure	2016
2406/2015	Disclosure initiative	Amendments to IAS 1 - Presentation of financial statements	2016
29/2015	Defined benefit plans: employee contributions (amendments to IAS 19)	Amendments to IAS 19 - Employee benefits	2016
2231/2015	Clarification of acceptable methods of depreciation and amortisation	Amendments to IAS 16 and IAS 38	2016
2173/2015	Accounting for acquisitions of interests in joint operations	Amendments to IFRS 11	2016
2441/2015	Equity method in separate financial statements	Amendments to IAS 27 - Separate financial statements	2016

In 2014, the IASB issued IFRS 15 - Revenue from contracts with customers as well as making amendments to existing standards. The documents amending certain standards which are yet to be endorsed include IFRS 9 - Financial instruments, issued in July 2014, finalising the new standard for financial instruments, except for macro hedging. This new standard will be applicable from 1 January 2018 after its endorsement by the European Commission.

The next table shows the standards for which amendments were issued, specifying the scope of or object for such amendments.

Standard	Name	Publication date
IFRS 9	Financial instruments	24/07/14
IFRS 14	Regulatory deferral accounts	30/01/14
IFRS 15	Revenue from contracts with customers (including the amendment published on 11 September 2015 about the date of application of IFRS 15)	28/05/14
IFRS 16	Leases	13/01/16
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities - Applying the consolidation exception	18/12/14
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	11/09/14

As none of them have been endorsed by the European Commission, they did not affect the company's financial statements.

The company applies the measurement criteria assuming that it will continue as a going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The financial statements and the notes present corresponding prior year figures and the statement of comprehensive income. The directors' report and these notes include all the information required by the IFRS, the law and Bank of Italy, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the company's financial position and results of operations.

Basis of presentation of the financial statements

Statement of financial position, income statement and statement of comprehensive income

They comprise captions, subcaptions and additional information. Revenue is shown without a plus sign while costs are shown with a minus sign in the income statement.

Statement of changes in equity

This statement shows changes in equity during the year split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the year. The company has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the year and the previous year has been prepared using the indirect method, whereby cash flows from operations are the profit for the year adjusted by the effects of non-monetary transactions.

Cash flows are split between those from operating, investing and financing activities.

Cash flows generated during the reporting period are indicated without a plus sign while those used during the reporting period are shown with a minus sign.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's instructions for the preparation of financial statements by financial intermediaries and the additional information required by the IFRS.

The accounting policies described below have been adopted to disclose all the information in the financial statements.

KPMG S.p.A. audits the financial statements.

Section 3 - Events after the reporting period

No events took place after the reporting date that would have had a significant effect on the company's financial position and results of operations or that would have required adjustments to the financial statements captions.

Section 4 - Other aspects

There is no other information that needs to be disclosed.

A.2 - KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2015

Accounting policies

Available-for-sale financial assets

Classification

This category includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading, held-to-maturity investments or financial assets at fair value through profit or loss.

Recognition

They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement

AFS financial assets are subsequently measured at fair value with recognition of amortised cost in profit or loss and the fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.

Realised gains or losses are recognised in caption 90 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the market data or internal valuation methods that are, however, based on market data. More information is available in section A.4.

The company tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the company recognises it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognised in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months.

If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognised in profit or loss, the impairment loss is reversed and the related amount is recognised in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortised cost had the loss not been recognised. Impairment losses on shares, recognised in profit or loss, cannot be reversed through profit or loss but only directly through equity.

Derecognition

Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

This category includes trade receivables and reverse repurchase agreements.

Recognition

Loans and receivables are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest is recognised in caption 10 "Interest and similar income" of the income statement.

Impairment losses are made collectively. Assets are tested for impairment by category and the loss percentages are estimated considering historical figures that allow an estimate of possible losses.

Derecognition

Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, furniture and fittings and all equipment. It also comprises assets under finance lease.

Recognition

Assets acquired on the market are recognised as assets when the main risks and rewards of title are transferred. Initial recognition is at cost, which includes all directly related charges.

Land is recognised separately, including when it is purchased together with the building, using the component approach. It is separated from the building based on third party appraisals.

Measurement

Property, equipment and investment property with a finite useful life are subsequently measured at cost adjusted by accumulated depreciation and any impairment losses/reversals of impairment losses.

The depreciable value of property, equipment and investment property equals their cost as the residual value after depreciation is not deemed significant. Depreciation is charged systematically on a straight-line basis over the asset's estimated useful life to reflect their technical-economic life and residual use.

The useful life of the main categories of property, equipment and investment property is as follows:

- owner-occupied buildings: 33 years;
- electronic office equipment: 5 years;
- POS and ATM, classified as electronic equipment, are depreciated over three and seven years, respectively, as these periods are held to reflect their useful lives.

Land is not depreciated as it has an indefinite life nor are works of art as their useful lives cannot be estimated and their value usually increases over time.

The company tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition

Property, equipment and investment property are derecognised when sold or when no future economic benefits are expected from their continued use or sale.

Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits controllable by the entity.

Recognition

Intangible assets are recognised at cost when the principal risks and rewards are transferred, only when it is probable that the related future economic benefits will materialise and cost can be measured reliably. Otherwise, cost is expensed in the period in which it is incurred.

Measurement

All intangible assets other than goodwill are considered to have finite useful lives and are amortised in line with their cost.

The useful life of the main categories of intangible assets is as follows:

- software and user licences: 3 years;

- trademarks and patents: eighteen years;
- customer relationship C-Card: 5 years.

Their residual value is taken to be nil.

Derecognition

The company derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, and fair value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in profit or loss (excess cost).

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised.

It is tested annually for impairment even if there are no indicators of impairment.

Current and deferred taxes

The company estimates current and deferred taxes, considering the domestic tax consolidation scheme.

Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position (IRAP) or as a liability with the consolidating party under “Other liabilities” if they are included in the domestic tax consolidation scheme (IRES). If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset in caption 120 “Tax assets - a) current” (IRAP) and “Other assets” (IRES). Current and deferred taxes are recognised in caption 190 “Income taxes” of the income statement unless they relate to gains or losses on AFS financial assets and actuarial gains and losses, which are recognised directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting as “Tax assets” and “Tax liabilities”, respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The group recognises deferred tax assets (in caption 120.b) for deductible temporary differences and carryfoward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the group does not expect to undertake transactions that would require their taxation.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the period in which the deferred tax asset will be recovered or the deferred tax liability extinguished, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the company may find itself.

Post-employment benefits

The Italian post-employment benefits (TFR) are a form of deferred remuneration paid to employees when they leave the group. They accrue over the employment term and are recognised under personnel expense.

As payment is certain but not the date of payment, they are assimilated to defined contribution plans and classified as post-employment benefits.

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the bank's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19.

Interest accrued on the net liability continues to be recognised.

Provisions for risks and charges

Provisions for risks and charges include accruals made for past events for which it is probable that an outflow of resources will be required when a reliable estimate can be made of the amount.

At each reporting date, the company checks the provisions and they are released in whole or in part to the income statement when it is no longer probable that an outflow of resources will be necessary.

When the effect of the time value of money is material, the provision is discounted using the current market rates at the closing date. Accruals are recognised in profit or loss.

Liabilities

Classification

A liability exists when the company has a contractual obligation to deliver cash or another financial asset to another party at an agreed date.

Recognition

They are recognised at their fair value when the company receives the cash or the commitment to deliver cash arises.

Financial liabilities are initially recognised at fair value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in caption 20 "Interest and similar expense" of the income statement.

Derecognition

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, cancelled or has expired.

Foreign currency transactions

Initial recognition

Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

Subsequent measurement

Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at fair value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in profit or loss in line with the method used to recognise the gains or losses that include this component.

Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

Other disclosures

Income statement

Interest income and expense

Interest income and expense and related income and expense relate to cash and cash equivalents, financial assets and liabilities, AFS financial assets, loans and receivables, liabilities and securities issued.

Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method.

Fee and commission income and expense

They are recognised on an accruals basis.

Specifically, membership dues are recognised in profit or loss in line with the credit cards' expiry date and fee and commission income from merchants is recognised on the basis of the settlement date of the cardholders' expenditure. Pursuant to IFRS 13, fees and commissions are adjusted to reflect the fair value of loyalty programme prizes.

Fees and commissions included in amortised cost to calculate the effective interest rate are excluded as they are recognised under interest.

Dividends

Dividends are recognised in profit or loss when their distribution is approved.

Other income and costs

They are recognised on an accruals basis.

Utilisation of estimates and assumptions in the preparation of the financial statements

The financial statements captions are measured using the policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.

The use of reasonable estimates is an essential part of the preparation of financial statements but must not affect their reliability. The financial statements captions affected to a greater extent by the use of estimates and assumptions are:

- measurement of loans and receivables;
- measurement of non-current assets;
- quantification of accruals to provisions for risks and charges and liabilities for loyalty programmes;
- quantification of deferred liabilities;
- measurement of financial instruments.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss of the period of the change and, if the change affects future periods, also in future periods.

No significant changes to the accounting estimates were made in 2015.

A.3 - TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

None.

A.4 - FAIR VALUE DISCLOSURE

The IFRS require that financial products classified in the HFT or AFS portfolios be measured at fair value.

Application of IFRS 13, which regulates the measurement of fair value and related disclosure, became mandatory on 1 January 2013. This new standard does not extend the scope of application of fair value measurement, but contains the rules for fair value measurement in one standard rather than many standards, with differing treatments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not a forced liquidation or distress sale) on the principal market at the measurement date.

IFRS 13 establishes a hierarchy for measuring fair value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/liabilities.

The fair value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

CartaSi has just one Level 3 financial instrument, namely, its investment in Visa Europe, the fair value of which was calculated using all the information and data available at the measurement date. This instrument was not traded during the year.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:

- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for floating-rate on demand assets with a short term, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect fair value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate liabilities, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Qualitative disclosure

A.4.1 Levels 2 and 3: valuation techniques and inputs used

As noted above, the company measured its only level 3 financial instrument using all the information and data available at the reporting date.

It measured level 2 financial instruments using market prices for similar instruments.

A.4.2 Measurement processes and sensitivity

The company has just one level 3 financial instrument: its investment in Visa Europe.

A.4.3 Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

A.4.4 Other disclosures

None.

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

	L1	L2	L3	Total
1. Financial assets held for trading				
2. Financial assets at fair value through profit or loss				
3. Available-for-sale financial assets		3,762,517		3,762,517
4. Hedging derivatives				
5. Property, equipment and investment property				
6. Intangible assets				
Total		**3,762,517**		**3,762,517**
1. Financial liabilities held for trading				
2. Financial liabilities at fair value through profit or loss				
3. Hedging derivatives				
Total				

A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

None.

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (level 3)

None.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

None.

A.5 INFORMATION ON "DAY ONE PROFIT/LOSS"

None. CartaSi does not engage in transactions that give rise to day one profit or loss.

PART B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

(€)

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

	31/12/2015	31/12/2014
1. Cash and revenue stamps	0	0
2. Franking machines	22,015	15,796
Total €	**22,015**	**15,796**

The balance comprises postal accounts.

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Composition of caption 40 "Available-for-sale financial assets"

	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments						
- structured instruments						
- other instruments						
2. Equity instruments and OEIC units		3,762,517			2,621,863	
3. Financing						
Total €	**0**	**3,762,517**	**0**	**0**	**2,621,863**	**0**

The caption mainly comprises Visa Inc. shares, whose fair value is calculated using the market prices of shares listed on the New York stock exchange.

4,2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2015	31/12/2014
Financial assets		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Financial institutions	3,723,783	2,582,092
e) Other issuers	38,734	39,771
Total €	**3,762,517**	**2,621,863**

"Financial institutions" include the following equity investments over which the Group does not have control, joint control or significant influence:

	31/12/2015	31/12/2014
Visa Europe Limited	0	10
Visa Inc.	3,679,832	2,538,131
International Card System AD - Casys	43,951	43,951
Total financial institutions	**3,723,783**	**2,582,092**
CNBC S.p.A. (digital television body)	38,734	38,734
Parmalat	0	1,037
Total other issuers	**38,734**	**39,771**
Total €	**3,762,517**	**2,621,863**

The increase in the carrying amount of the AFS financial instruments is tied to the rise in the market price of the Visa Inc. shares, which are used as the basis to estimate the fair value of the shares held.

4.3 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments and OEIC units	Financing	Total
A. Opening balance		**2,621,863**		**2,621,863**
B. Increases				
B1. Purchases				
B2. Fair value gains				
B3. Reversals of impairment losses:				
- recognised in profit or loss				
- recognised in equity		1,141,701		1,141,701
B4. Transfers from other portfolios				
B5. Other increases				
C. Decreases				
C1. Sales		1,037		1,037
C2. Repayments				
C3. Fair value losses				
C4. Impairment losses				
C5. Transfers to other portfolios				
C6. Other decreases		10		10
D. Closing balance		**3,762,517**		**3,762,517**

Section 6 - Loans and receivables with banks - Caption 60

This caption comprises:

	31/12/2015	31/12/2014
Loans and receivables with banks	18,396,793	19,828,356
Loans and receivables with financial institutions	114,899,272	102,816,969
Loans and receivables with customers	2,235,679,556	2,344,136,446
Total €	**2,368,975,621**	**2,466,781,771**

6.1 Loans and receivables with banks

	31/12/2015				31/12/2014			
	Carrying amount	*Fair Value*			Carrying amount	*Fair Value*		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	18,257,241		18,257,241		19,664,068		19,664,068	
2. Financing								
2.1 Reverse repurchase agreements								
2.2 Finance leases								
2.3 Factoring								
- with recourse								
- without recourse								
2.4 Other financing								
3. Debt instruments								
- structured securities								
- other instruments								
4. Other assets	139,552		139,552		164,288		164,288	
Total €	**18,396,793**		**18,396,793**		**19,828,356**		**19,828,356**	

Deposits and current accounts mainly consist of current accounts held with ICPBI.

Other assets solely comprise receivables related to financial services.

6.2 Loans and receivables with financial institutions

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing												
1.1 Reverse repurchase agreements												
1.2 Finance leases												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other financing												
2. Debt instruments												
- structured securities												
- other instruments												
3. Other assets	114,899,272				114,899,272		102,816,969				102,816,969	
Total €	**114,899,272**	**0**			**114,899,272**		**102,816,969**	**0**			**102,816,969**	

This caption includes receivables due from the international Visa and Mastercard circuits.

The international circuits calculate the net position of each member every day, considering purchases, cash advances, commissions due among the circuit members and commissions due to the circuits for services provided by them. The net position is settled

6.3 Loans and receivables with customers

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing												
1.1 Finance leases												
of which: without final purchase option												
1.2 Factoring												
- with recourse												
- without recourse												
1.3 Consumer credit												
1.4 Credit cards	2,200,283,510		0		2,200,283,510	0	2,300,196,288		0		2,300,196,288	0
1.5 Loans on pledges												
1.6 Financing granted for payment services received												
1.7. Other financing												
of which: from enforcements of guarantees and commitments												
2. Debt instruments												
2.1 structured securities												
2.2 other instruments												
3. Other assets	35,396,046		0		35,396,046		43,940,158		0		43,940,158	
Total €	**2,235,679,556**		**0**		**2,235,679,556**	**0**	**2,344,136,446**		**0**		**2,344,136,446**	**0**

Caption 4. “Credit cards” includes:	31/12/2015	31/12/2014
Receivables from CartaSi cardholders for ordinary credit	1,963,881,229	2,052,010,904
Personal loans to customers	8,140,906	9,043,410
Receivables from CartaSi cardholders for credit extensions on revolving cards	228,261,375	239,141,974
Disputed receivables from CartaSi cardholders	0	0
Total €	**2,200,283,510**	**2,300,196,288**

Caption 7. “Other assets" comprises:	31/12/2015	31/12/2014
Receivables from merchants	34,321,877	42,758,633
Receivables for disputes	1,074,169	1,181,525
Receivables from merchants transferred to legal advisors	0	0
Total €	**35,396,046**	**43,940,158**

Loans and receivables with customers are adjusted by the estimate of expected losses to reflect their recoverable amount, as shown in section 2 of part D.

Section 9 - Equity investments - caption 90

9.2 Changes in equity investments

	Group	Non-group	Total
A. Opening balance	**3,500,000**		**3,500,000**
B. Increases			
B.1 Purchases			
B.2 Reversals of impairment losses			
B.3 Fair value gains			
B.4 Other increases			
- business combinations			
C. Decreases			
C.1 Sales			
C.2 Impairment losses			
C.3 Other decreases			
- business combinations	3,500,000		3,500,000
D. Closing balance	**0**	**0**	**0**

Unicard S.p.A. was merged into the company during the year, leading to the cancellation of the related equity investment.

Section 10 - Property, equipment and investment property - Caption 100

10.1 Property and equipment: breakdown of assets measured at cost

	31/12/2015	31/12/2014
	Assets measured at cost	Assets measured at cost
1. Owned		
a) land	13,209,157	13,209,157
b) buildings	23,362,883	25,109,175
c) furniture	1,337,014	1,245,814
d) electronic systems	37,440,574	34,456,862
e) other		
2. Under finance lease		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total €	**75,349,628**	**74,021,008**

10.2 Investment property: breakdown of assets measured at cost

	31/12/2015				31/12/2014			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned								
a) land	743,698				743,698			
b) buildings	5,579,831				5,849,891			
2. Under finance lease								
a) land								
b) buildings								
Total €	**6,323,529**		**11,924,575**		**6,593,589**		**11,924,575**	

Owned buildings include the buildings in Via Livraghi 16, Milan and Strada 1, Assago MilanoFiori, the fair value of which was calculated by a third party.

10.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**17,362,601**	**58,209,721**	**4,134,876**	**155,125,015**	**0**	**234,832,213**
A.1 Total net impairment losses	**4,153,444**	**33,100,547**	**2,889,061**	**120,668,153**		**160,811,205**
A.2 Net opening balance	**13,209,157**	**25,109,174**	**1,245,815**	**34,456,862**	**0**	**74,021,008**
B. Increases						
B.1 Purchases			120,780	20,390,485		20,511,265
B.2 Capitalised improvement costs						
B.3 Reversals of impairment losses						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property						
B.7 Other increases						
- business combinations			0	8,743		8,743
C. Decreases						
C.1 Sales				707,084		707,084
C.2 Depreciation		1,746,291	29,581	16,708,432		18,484,304
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
C.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property						
b) disposal groups						
C.7 Other decreases						
D. Net closing balance	**13,209,157**	**23,362,883**	**1,337,014**	**37,440,574**	**0**	**75,349,628**
D.1 Total net impairment losses	4,153,444	34,846,838	2,918,642	137,376,585	0	179,295,509
D.2 Gross closing balance	**17,362,601**	**58,209,721**	**4,255,656**	**174,817,159**	**0**	**254,645,137**
E. Cost						

Purchases mainly refer to investments for ATMs and POS.
The other increases include purchases of non-current assets as a result of the merger with Unicard.

10.6 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	**743,698**	**5,849,891**
B. Increases		
B.1 Purchases		
B.2 Capitalised improvement costs		
B.3 Fair value gains		
B.4 Reversals of impairment losses		
B.5 Exchange rate gains		
B.6 Transfers from property and equipment		
B.7 Other increases		
C. Decreases		
C.1 Sales		
C.2 Depreciation		270,060
C.4 Fair value losses		
C4. Impairment losses		
C.5 Exchange rate losses		
C.6 Transfers to other portfolios:		
a) property and equipment		
b) non-current assets held for sale		
C.7 Other decreases		
D. Closing balance	**743,698**	**5,579,831**
E. *Fair value*		

Section 11 - Intangible assets - Caption 110

11.1 Composition of caption 110 "Intangible assets"

	31/12/2015		31/12/2014	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets:				
2.1 owned				
- internally generated				
- other	9,969,718		9,624,501	
2.2. under finance lease				
Total 2	**9,969,718**		**9,624,501**	
3. Assets under finance lease:				
3.1 for which purchase option has not been exercised				
3.2 withdrawn after termination of lease				
3.3 other				
Total 3				
4. Assets under operating lease				
Total 4 €	**9,969,718**		**9,624,501**	
Total (1+2+3+4) €	**9,969,718**		**9,624,501**	
Total €		**9,969,718**		**9,624,501**

Caption 2. "Other intangible assets: other" includes:	31/12/2015	31/12/2014
Software	4,166,952	5,161,395
Trademarks and patents	34,063	35,240
Customer relationship C-Card	2,792,134	3,630,923
Goodwill	395,950	0
Other assets	2,580,619	796,943
Total €	**9,969,718**	**9,624,501**

11.2 Intangible assets: changes

	Total
A. Opening balance	**9,624,501**
B. Increases	
B.1 Purchases	3,466,111
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in:	
- equity	
- profit or loss	
B.4 Other increases	
- business combinations	698,707
C. Decreases	
C.1 Sales	
C.2 Amortisation	3,747,282
C.3 Impairment losses	
- equity	
- profit or loss	
C4 Fair value losses recognised in:	
- equity	
- profit or loss	
C.5 Other decreases	72,319
D. Closing balance	**9,969,718**

Purchases mainly refer to software licences.
Other increases relate to the assets acquired with the Unicard merger and recognition of the related goodwill.

Section 12 - Tax assets and tax liabilities

12.1 Composition of caption 120 "Tax assets: current and deferred"

	31/12/2015	31/12/2014
Current tax assets		
IRAP tax asset	975,584	0
Total €	**975,584**	**0**

	31/12/2015	31/12/2014
Deferred tax assets:		
recognised in profit or loss	21,094,184	19,511,822
recognised in equity	304,881	304,881
Total €	**21,399,065**	**19,816,703**

The temporary differences that led to the company's recognition of deferred tax assets mainly relate to impairment losses on loans and receivables and provisions for risks and charges.

12.2 Composition of caption 70 "Tax liabilities: current and deferred"

	31/12/2015	31/12/2014
Current tax liabilities:		
IRES	0	0
IRAP	0	55,786
Total €	**0**	**55,786**

	31/12/2015	31/12/2014
Deferred tax liabilities:		
recognised in profit or loss	3,544,472	3,730,014
recognised in equity	13,936,378	162,902
Total €	**17,480,850**	**3,892,916**

Changes in deferred tax liabilities recognised in profit or loss mainly relate to the revaluation of the building during first-time adoption of the IFRS.
Deferred tax liabilities recognised in equity mostly refer to the revaluation of the investment in Visa Europe.

12.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**19,511,822**	**19,573,814**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	4,095,475	3,243,594
2.2 New taxes or increases in tax rates		
2.3 Other increases		
- business combinations	581,605	
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	3,094,718	3,305,586
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
a) conversion into tax assets as per Law no. 214/2011		
b) other		
4. Closing balance	**21,094,184**	**19,511,822**

12.3.1 Change in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**13,049,915**	**13,363,786**
2. Increases	**391,805**	**1,029,798**
3. Decreases		
3.1 Reversals	118,375	1,343,669
3.2 Conversion into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
4. Closing balance	**13,323,345**	**13,049,915**

12.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**3,730,014**	**3,842,677**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	185,542	112,663
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**3,544,472**	**3,730,014**

12.5 Changes in deferred tax assets (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**304,881**	**0**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		304,881
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance		
4. Importo finale	**304,881**	**304,881**

12.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**162,902**	**118,422**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	13,773,476	44,480
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**13,936,378**	**162,902**

Section 13 - Non-current assets held for sale and disposal groups

13.1. Composition of caption 130 "Non-current assets held for sale and disposal groups"

	31/12/2015	31/12/2014
Visa Europe Limited	186,205,855	0
Total €	**186,205,855**	**0**

The company classified its investment in Visa Europe Ltd under "Non-current assets held for sale" at the reporting date, whereas it was included in the AFS portfolio at 31 December 2014.

Specifically:

- the asset consists of the unlisted investment in Visa Europe Ltd given to CartaSi as the main member of the related circuit;

- its reclassification to "Non-current assets held for sale" is a result of Visa Inc's acquisition of Visa Europe. In November 2015, Visa Inc communicated to the market that it had reached an agreement to acquire Visa Europe and that the boards of directors of both companies had approved the transaction. A due diligence was then commenced, including of the agreed consideration, to define the transaction's financial terms. The transaction is expected to be closed during the third quarter of 2015/2016;
- the carrying amount of the Visa Europe Ltd investment, previously recognised in the AFS portfolio and measured at fair value, as required by IFRS 5, was not changed after the investment's reclassification to "Non-current assets held for sale"; as planned, the related fair value reserve was also reclassified together with the asset;

As the investment is not quoted on an active market, its fair value is taken to be a level 3 fair value, which is calculated using all the input available, including that related to Visa Inc's ongoing acquisition.

Section 14 - Other assets - Caption 140

14.1 - Composition of caption 140 "Other assets"

	31/12/2015	31/12/2014
1. Taxes and revenue stamps	55,765,907	60,465,724
2. Guarantee deposits	3,354,401	3,854,352
3. Deferred costs	14,896,275	21,380,774
4. Sundry services	95,916,796	82,615,722
5. Other assets	58,167,523	82,570,902
Total €	**228,100,902**	**250,887,474**

LIABILITIES

Section 1 - Due to banks - Caption 10

1.1 Liabilities

	31/12/2015			31/12/2014		
	Due to banks	**Due to financial institutions**	**Due to customers**	**Due to banks**	**Due to financial institutions**	**Due to customers**
1. Financing						
1.1. Repurchase agreements						
1.2. Other financing	1,624,839,845			1,666,110,054		
2. Other liabilities	252,804,613	0	28,332,621	281,275,445	9,119	25,372,366
Total €	**1,877,644,458**	**0**	**28,332,621**	**1,947,385,499**	**9,119**	**25,372,366**
Fair value - level 1						
Fair value - level 2	**1,877,644,458**	**0**	**28,332,621**	**1,947,385,499**	**9,119**	**25,372,366**
Fair value - level 3						
Total *fair value* €	**1,877,644,458**	**0**	**28,332,621**	**1,947,385,499**	**9,119**	**25,372,366**

"Financing" mainly relates to the current liability with the parent; other financing mostly consists of the liabilities with credit institutions for fees to be paid.

Section 9 - Other liabilities - Caption 90

9.1 Caption 90 “Other liabilities”

	31/12/2015	31/12/2014
1. Sundry creditors		
1.1 Disputes	3,690,793	4,167,939
1.2 Suppliers	105,954,205	127,849,385
1.3 Merchants	8,498,624	14,913,152
1.4 Employees	6,417,573	8,241,827
1.5 Employees' accrued holidays	131,230	153,336
1.6 Social security institutions	1,531,193	1,564,865
1.7 Tax authorities	1,238,468	1,244,174
1.8 Deferred membership fees	6,523,658	6,631,502
1.9 Deferred loyalty commissions	53,354,901	50,871,572
1.10 Other liabilities	81,444,391	133,358,715
Total €	**268,785,036**	**348,996,467**

The caption mainly consists of other liabilities, comprising suspense accounts.
The caption “Suppliers” includes invoices received and accruals for invoices to be received.

The deferred membership fees relate to the renewal of credit cards valid from January 2016 which are debited to CartaSi cardholders in December.
The loyalty commissions comprise deferred revenue, following adoption of IFRIC 13.

Section 10 - Post-employment benefits - Caption 100

10.1 Post-employment benefits: changes

	31/12/2015	31/12/2014
A. Opening balance	**6,929,046**	**5,801,012**
B. Increases		
B1. Accruals	85,920	159,526
B2. Other increases	0	1,108,658
- business combinations	284,080	28,044
C. Decreases		
C1. Payments	181,945	157,138
C2. Other decreases	347,302	11,056
- business combinations		
D. Closing balance	**6,769,799**	**6,929,046**

The increases include accrued interest expense (€86 thousand), actuarial losses (€339 thousand) and the Unicard merger (€84 thousand).

10.2 - Other information

Actuarial assumptions

As required by IAS 19, the main actuarial assumptions used in the actuarial valuation are set out below:

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2015	
Mortality among aged pensioners	Rates relating to Italians broken down by age and gender, published by ISTAT in 2000 and reduced by 25%
Mortality among total and permanent disability pensioners	Rates inferred from the invalidity tables currently used by the reinsurance practice, broken down by age and gender.
Termination of employment for resignation or dismissal	Rates inferred by estimating the annual occurrences, based on group and market figures, over the 2012-2014 observation period and set at 0.84%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	2%
Annual discount rate	1.49%, inferred from the breakdown of interest rate by maturity bootstrapped from the swap rate curve at the reporting date (Source: Il Sole 24 ore) and established with reference to the group's liabilities due after an average period of 16 years

Sensitivity analysis

As required by IAS 19, the company carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease.

€'000	**Change in post-employment benefits (amount)**	**Change in post-employment benefits (percentage)**
Change in actuarial assumptions:		
- Discount rate:		
-0.50%	464	6.85%
0.50%	(426)	-6.30%
- Employee turnover rate:		
-0.50%	33	0.49%
0.50%	(31)	-0.47%

Section 11 - Provisions for risks and charges - Caption 110

11.1 Composition of caption 110 "Provisions for risks and charges"

	31/12/2015	31/12/2014
Pension and similar provisions	**0**	**0**
Other provisions		
Agents' termination benefits	568,033	568,033
Provision for risks and charges	12,066,428	13,237,609
Allowance for impairment	2,806,155	3,063,931
Provision for personnel expense	362,437	338,000
Total €	**15,803,053**	**17,207,573**

The provision for agents' termination benefits includes their accrued benefits for the rest of their agency contract. The provision for risks and charges covers risks of losses on irregular transactions that have already taken place and fraudulent transactions, calculated on a statistical basis (€2,131 thousand), the accrual for litigation commenced by cardholders and merchants (€3,932 thousand) and other liabilities for contractual commitments (€6,003 thousand). The provision for litigation was set up to cover any litigation commenced by agents.

11.2 Changes in caption 110 "Provisions for risks and charges"

	Agents' termination benefits	Provision for risks and charges	Allowance for impairment	Provision for personnel expense	Total
Opening balance	**568,033**	**13,237,609**	**3,063,931**	**338,000**	**17,207,573**
Increases	0	3,813,777	0	362,437	4,176,214
Decreases		-4,984,958	-257,776	-338,000	-5,580,734
Closing balance	**568,033**	**12,066,428**	**2,806,155**	**362,437**	**15,803,053**

Section 12 - Equity - Captions 120, 130, 140 and 150

12.1 Composition of caption 120 "Share capital"

	Amount
1. Share capital	
1.1 Ordinary shares	56,888,798
1.2 Other shares	

The fully paid-up share capital at the reporting date consists of 94,814,664 ordinary shares with a unit nominal amount of €0.60.

12.4 Composition of caption 150 "Share premium"

	31/12/2015	31/12/2014
Share premium reserve	2,273,684	2,273,684
Total €	**2,273,684**	**2,273,684**

The company set up this reserve in 2010 following the contribution of the former Key Client's international licences business.

12.5 Other information

Composition and changes in caption 160 "Reserves"

	Legal	Other - extraordinary reserve	Other	Total
Possible use (*)	**B**	**A, B, C**	**A, B, C**	
A. Opening balance	**11,377,760**	**191,963,499**	**162,228,447**	**365,569,706**
B. Increases				
B.1 Allocation of profit for the year		14,444,522		14,444,522
B.2 Other increases				
C. Decreases				
C.1 Utilisation				
- to cover losses				
- distributions				
- conversion into share capital				
C.2 Other decreases			(128,909)	(128,909)
D. Closing balance	**11,377,760**	**206,408,021**	**162,099,538**	**379,885,319**

(*) A: capital increase; B: to cover losses; C: dividend distributions

Composition and changes in caption 170 "Valuation reserves"

	Available-for-sale financial assets	Property and equipment	Intangible assets	Non-current assets held for sale and disposal groups	Special revaluation laws	Actuarial gains and losses	Total
A. Opening balance	**2,036,909**	**74,950**	**0**	**0**	**1,013,875**	**(955,110)**	**2,170,624**
B. Increases							
B.1 *Fair value* gains				172,511,661			172,511,661
B.2 Other increases	1,062,410					(50,144)	1,012,266
C. Decreases							
C1 *Fair value* losses							
C.2 Other decreases						237,333	237,333
D. Closing balance	**3,099,319**	**74,950**	**0**	**172,511,661**	**1,013,875**	**(767,921)**	**175,931,884**

PART C - NOTES TO THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Composition of caption 10 "Interest and similar income"

	Debt instruments	Financing	Other	31/12/2015	31/12/2014
1. Financial assets held for trading			0	0	0
2. Financial assets at fair value through profit or loss					
3. Available-for-sale financial assets					
4. Held-to-maturity investments					
5. Loans and receivables					
5.1 Loans and receivables with banks			2,543	2,543	13,549
5.2 Loans and receivables with financial institutions					
5.3 Loans and receivables with customers			25,185,824	25,185,824	26,943,870
6. Other assets			126,784	126,784	103,985
7. Hedging derivatives					
Total €	**0**	**0**	**25,315,151**	**25,315,151**	**27,061,404**

1.3 Composition of caption 20 "Interest and similar expense"

	Financing	Securities	Other	31/12/2015	31/12/2014
1. Due to banks	35,407,107			35,407,107	36,778,233
2. Due to financial institutions					
3. Due to customers					
4. Securities issued					
5. Financial liabilities held for trading					
6. Financial liabilities at fair value through profit or loss					
7. Other liabilities			162,036	162,036	15,533
8. Hedging derivatives					
Total €	**35,407,107**		**162,036**	**35,569,143**	**36,793,766**

	31/12/2015	31/12/2014
Interest expense on ordinary current accounts	16,521,574	19,187,706
Interest expense on revolving current accounts	14,921,308	15,514,538
Bank fees and commissions	3,964,225	2,075,989
Sundry interest expense	162,036	15,533
Total €	**35,569,143**	**36,793,766**

Section 2 - Fees and commissions - Captions 30 and 40

2.1 Composition of caption 30 "Fee and commission income"

	31/12/2015	31/12/2014
1. finance leases		
2. factoring		
3. consumer credit		
- fees and commissions on processed transactions	664,858,151	655,027,212
- fees and commissions from cardholders	174,057,447	189,203,744
- other fee and commission income		
4. merchant banking		
5. guarantees issued		
6. services:		
- fund management on behalf of third parties		
- currency trading		
- product distribution		
- other		
7. collection and payment services		
8. servicing in securitisations		
9. other fee and commission income (servicing)	87,179,435	73,701,700
Total €	**926,095,033**	**917,932,656**

2.2 Composition of caption 40 "Fee and commission expense"

	31/12/2015	31/12/2014
1. guarantees received		
2. distribution of third party services		
3. collection and payment services		
4. other fee and commission expense		
- fee and commission expense to members	397,559,217	369,372,070
- fee and commission expense to banks	241,941,667	274,076,831
- other fee and commission expense	28,563	513,821
Total €	**639,529,447**	**643,962,722**

Section 3 - Dividends and similar income - Caption 50

3.1 Composition of caption 50 "Dividends and similar income"

	31/12/2015		31/12/2014	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
1. Financial assets held for trading				
2. Available-for-sale financial assets	15,780		11,075	
3. Financial assets at fair value through profit or loss				
4. Equity investments:				
4.1 for merchant banking				
4.2 other assets				
Total €	**15,780**	**0**	**11,075**	**0**

Section 4 - Net trading income - Caption 60

4.1 Composition of caption 60 "Net trading income"

	Gains	Trading income	Losses	Trading losses	Net income
1. Financial assets					
1.1 Debt instruments					
1.2. Equity instruments and OEIC units					
1.3. Financing					
1.4. Other assets					
2. Financial liabilities					
2.1 Debt instruments					
2.2 Liabilities					
2.3 Other liabilities					
3. Financial assets and liabilities: net exchange rate gains		4,038,736		4,000,909	37,827
4. Financial derivatives					
5. Credit derivatives					
Total €		**4,038,736**		**4,000,909**	**37,827**

Section 7 - Net profit on sale or repurchase - Caption 90

7.1 Composition of caption 90 "Net profit on sale or repurchase"

	31/12/2015			31/12/2014		
	Profit	Loss	Net profit	Profit	Loss	Net profit
1) Financial assets						
1.1 Loans and receivables						
1.2 Available-for-sale financial assets	109		109			
1.3 Held-to-maturity investments						
Total (1) €	**109**	**0**	**109**	**0**	**0**	**0**
2) Financial liabilities						
2.1 Liabilities						
2.2 Securities issued						
Total (2) €						
Total (1+2) €	**109**		**109**	**0**		**0**

Section 8 - Net impairment losses - Caption 100

8.1 Net impairment losses

	Impairment losses		Reversals of impairment losses		31/12/2015	31/12/2014
	individual	collective	individual	collective		
1. Loans and receivables with banks						
- leases						
- factoring						
- other		**59,170**			**59,170**	**73,732**
2. Loans and receivables with financial institutions						
Impaired loans acquired:						
- leases						
- factoring						
- other						
Other:						
- leases						
- factoring						
- other						
3. Loans and receivables with customers						
Impaired loans acquired:						
- leases						
- factoring						
- consumer credit						
- other						
Other:						
- leases						
- factoring						
- consumer credit						
- loans on pledges						
- other		2,540,081			2,540,081	3,892,492
Totale €	**0**	**2,599,251**			**2,599,251**	**3,966,224**

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses	Reversals of impairment losses	31/12/2015	31/12/2014
1. Debt instruments				
2. Equity instruments and OEIC units	0		0	66,653
3. Financing				
Total €	**0**	**0**	**0**	**66,653**

Section 9 - Administrative expenses - Caption 110

9.1 Composition of caption 110.a "Personnel expense"

	31/12/2015	31/12/2014
1. Employees		
a) wages and salaries	26,665,956	26,153,377
b) social security charges	6,287,907	7,238,391
c) post-employment benefits	62,555	82,278
d) pension costs		
e) accrual for post-employment benefits	99,656	159,527
f) accrual for pension and similar provisions:		
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds		
- defined contribution plans	2,640,265	2,439,973
- defined benefit plans		
h) other	1,677,094	1,550,730
2. Other personnel		
3. Directors and statutory auditors	1,563,966	1,802,737
4. Retired personnel		
5. Cost recoveries for employees seconded to other companies	-56,793	0
6. Cost reimbursements for third party employees seconded to the bank		
Total €	**38,940,606**	**39,427,013**

9.2 Average number of employees per category

	31/12/2015	31/12/2014
Managers	15	15
Junior managers	188	180
White collars	274	270
Total	**477**	**465**

9.3 Composition of caption 110.b "Other administrative expenses"

	31/12/2015	31/12/2014
1. Third party services	181,745,082	179,361,411
2. Lease and building management fees	409,667	389,566
3. Insurance companies	1,385,596	1,397,720
4. Rentals	2,405,552	1,921,474
5. Maintenance	18,048,983	19,382,675
6. Shipping costs	23,326,866	23,966,094
7. Telephone and telegraph	4,655,658	4,315,359
8. Cards and accessories	8,736,623	7,665,424
9. Printed matter and stationery	254,328	707,384
10. Other taxes	55,344,027	57,081,719
11. Legal, notary and consultancy services	4,280,641	1,733,710
12. Agents' commissions and expense reimbursement	137,603	70,101
13. Publishing	2,094	-4,120
14. Advertising	555,371	67,019
15. Promotional materials and competition prizes	6,780,395	9,633,808
16. Other commercial costs	849,586	2,145,376
17. Other general expenses	2,507,122	1,924,509
Total €	**311,425,194**	**311,759,229**

Caption 10. "Other taxes" includes:	31/12/2015	31/12/2014
stamp duty	54,640,179	56,352,897
taxes and duties	384,250	430,756
taxes and duties for prize competitions and transactions	232,366	178,695
government tax on mobile phones	1,739	11,132
waste elimination tax	102,209	130,271
non-deductible VAT	-23,220	-27,357
sanctions and fines	6,504	5,325
Total €	**55,344,027**	**57,081,719**

Section 10 - Depreciation and net impairment losses on property, equipment and investment property - Caption 120

10.1 Composition of caption 120 "Depreciation and net impairment losses on property, equipment and investment property"

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
1. Property and equipment				
1.1 owned				
a) land				
b) buildings	1,746,291			1,746,291
c) furniture	29,581			29,581
d) operating	16,708,432			16,708,432
e) other				
1.2 under finance lease				
a) land				
b) buildings				
c) furniture				
d) operating				
e) other				
2. Investment property	270,060			270,060
Total €	**18,754,364**			**18,754,364**

Section 11 - Amortisation and net impairment losses on intangible assets - Caption 130

11.1 Composition of caption 130 "Amortisation and net impairment losses on intangible assets"

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b - c)
1. Goodwill				
2. Other intangible assets				
2.1 owned	3,747,282			3,747,282
2.2 under finance lease				
3. Assets under finance lease				
4. Assets under operating lease				
Total €	**3,747,282**			**3,747,282**

The caption mainly consists of the amortisation of software licences (€2,691 thousand) and other deferred costs (€1,052 thousand).

Section 13 - Net accruals to provisions for risks and charges - Caption 150

13.1 Composition of caption 150 "Net accruals to provisions for risks and charges"

	31/12/2015	31/12/2014
1. Accrual to the provision for agents' termination benefits	0	3.000
2. Accrual to the provision for risks	377,519	(18,024)
3. Accrual to the allowance for impairment	0	0
4. Accrual to the provision for personnel expense	362,437	287,232
Total €	**739,956**	**272,208**

Section 14 - Other operating income - Caption 160

14.1 Composition of caption 160 "Other operating income"

	31/12/2015	31/12/2014
1. Income		
1.1 Income from foreign correspondents	578,280	869,109
1.2 Revenue for the Club IoSi	5,466,056	5,149,732
1.3 Compensation for reckless custody	87,600	104,900
1.4 Revenue from services	145,224,349	142,121,258
1.5 Revenue from intragroup services	980,313	995,691
1.6. Other income	9,443,965	13,501,041
1.7 Expense reimbursement for issue of account statement	19,223,460	20,564,861
1.8 Expense reimbursement for stamp on account statement	52,256,935	53,702,592
2. Costs		
2.1 Losses on irregular transactions due to fraudulent use of credit cards	-8,728,920	-8,158,470
2.2. Other costs	-1,689,692	-2,663,768
2.3 Amounts retroceded to banks for POS management	-19,390,904	-17,953,000
Total €	**203,451,442**	**208,233,946**

The revenue from services mainly relates to the management of POS and ATM terminals. Similarly, the amounts retroceded to banks for POS management consists of the fees paid by the company for servicing activities.

Section 17 - Income taxes - Caption 190

17.1 Composition of caption 190 "Income taxes"

	31/12/2015	31/12/2014
1. Current taxes	33,970,314	33,928,139
2. Change in current taxes from previous years	-462,848	6,950,721
3. Decrease in current taxes for the year		
3. *bis* Decrease in current taxes for the year due to tax assets as per Law no. 214/2011		
4. Change in deferred tax assets	-1,000,757	61,992
5. Change in deferred tax liabilities	-185,542	-112,663
Total	**32,321,167**	**40,828,189**

17.2 Reconciliation between the theoretical and effective tax expense

IRES	31/12/2015	31/12/2014
Theoretical tax rate	27.50%	27.50%
Undeductible costs	0.84%	6.74%
Deductible costs and other decreases	-4.05%	-2.07%
Effective tax rate	24.29%	32.17%

IRAP	31/12/2015	31/12/2014
Theoretical tax rate	5.57%	5.57%
Undeductible costs	2.05%	5.28%
Irrelevant revenue - costs	-0.72%	-1.33%
Effective tax rate	6.90%	9.52%

PART D - OTHER DISCLOSURES

Section 1 - Operations

C. CONSUMER CREDIT

The consumer credit business solely relates to instalment credit cards.

C.1 - Breakdown by product

	31/12/2015			31/12/2014		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Unimpaired assets						
- personal loans	8,140,906		8,140,906	9,043,410		9,043,410
- special purpose loans	229,059,692	798,317	228,261,375	240,500,429	1,358,455	239,141,974
- salary-backed loans						
2. Impaired assets						
Personal loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Special purpose loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Salary-backed loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Total €	**237,200,598**	**798,317**	**236,402,281**	**249,543,839**	**1,358,455**	**248,185,384**

C.2 - Classification by past due date bracket and quality

	Unimpaired financing		Impaired financing	
	31/12/2015	**31/12/2014**	**31/12/2015**	**31/12/2014**
Up to 3 months	68,231,059	72,443,664		
From 3 months to 1 year	130,409,414	137,953,970		
From 1 to 5 years	36,419,480	36,635,580		
After 5 years	1,342,328	1,152,170		
Open term				
Total €	**236,402,281**	**248,185,384**	**0**	**0**

C.3 - Changes in impairment losses

	Opening balance	Increases				Decreases					Closing balance
		Impairment losses	Losses on sales	Transfers from other category	Other increases	Reversals of impairment losses	Gains on sales	Transfers to other category	Cancellations	Other decreases	
Individual impairment losses on impaired assets											
Personal loans											
- non-performing exposures											
- probable default											
- impaired past due exposures											
Special purpose loans											
- non-performing exposures											
- probable default											
- impaired past due exposures											
Salary-backed loans											
- non-performing loans											
- probable default											
- impaired past due exposures											
Collective impairment losses on other assets											
- personal loans											
- special purpose loans	1,358,455									560,138	798,317
- salary-backed loans											
Total €	**1,358,455**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**560,138**	**798,317**

G. PAYMENT SERVICES AND ISSUE OF E-MONEY

QUANTITATIVE DISCLOSURE

G.8 Operating volumes, number of and revenue from payment transactions

	31/12/2015				31/12/2014			
	Amount	Number	Fee and commission income	Cost recoveries	Amount	Number	Fee and commission income	Cost recoveries
- Credit cards	27,980,372,000	316,360,213	174,057,447	71,480,395	25,988,072,062	289,594,053	189,203,744	74,267,453
- Debit cards								
- Bank transfers								
- ordered by customers								
- received by customers								
- Money Transfers:								
- incoming								
- outgoing								
- Charges to accounts of customer payments								
- Crediting the accounts with customer payments								
- Collections by payment against notice (MAV)								

G.9 Fraudulent use

	31/12/2015				31/12/2014			
	Amount	Number	Cost by intermediary	Insurance compensation	Amount	Number	Cost by intermediary	Insurance compensation
- Credit cards - Debit cards - e-money	30,541,899	205,542	8,528,277	0	30,196,812	218,403	8,646,864	0

G.10 Credit cards revoked for insolvency

	31/12/2015		31/12/2014	
	Amount	Number of cards	Amount	Number of cards
- with risk borne by intermediary - with risk borne by third parties	1,518,897	3,541	1,921,320	6,521

QUALITATIVE DISCLOSURE

The company uses the 3D Secure model (Verified by Visa and Mastercard SecurCode) for all its cardholders.

This model is applied when the merchant uses the same system and requires an additional password for e-commerce transactions.

The policy also provides that the merchants use similar protocols.

The company mainly distributes credit and prepaid cards through the banking channel, via the branches of its bank members. It also directly distributes credit and prepaid cards upon request, either through its site or its commercial partners.

Acceptance of payment instruments is guaranteed by the merchant members via the banks or directly through their special sales network. The main merchant categories are supermarket chains, transport, hotels, telecommunications and fuel.

CartaSi is active in the credit card sector as both an issuer (financial institution that issues credit cards) and an acquirer (financial institution that authorises merchants to accept transactions paid for by payment cards and/or offers cash advance services).

It is the licensee of the Visa and Mastercard circuits both as an issuer and an acquirer.

In order to carry out its activities, the company has a customised organisational structure which guarantees maintenance and development of its distribution and acceptance network and also manages all the related operating and financial activities by carrying out specific processes which are updated regularly to improve their efficiency and effectiveness.

Section 3 - Risks and related hedging policies

3.1 CREDIT RISK

QUALITATIVE DISCLOSURE

1. General issues

Credit risk is the risk that an unexpected variation in a counterparty's credit standing may lead to its default, generating unexpected losses on cash exposures or endorsement credits, or that generates a related unexpected variation in the asset's market value.

CartaSi's credit risk relates to how it operates on the market. Its business model for card management activities provides that the credit risk is mostly transferred to the partner banks by signing bank agreements.

Accordingly, it monitors:

1. -issuing through banks: the risk of cardholder default is borne by the banks for the period from the transaction date until the transaction's debit date to the cardholder's account.
2. -direct issuing: the credit risk is borne directly by CartaSi and relates to non-payment on the contractually-agreed dates.
3. -receives the funds from the circuits (Visa/MasterCard) for transactions carried out by the holders of credit cards issued by other banks usually two to three business days after the transaction date. Therefore, it is exposed to credit risk vis-à-vis the payment circuits in this period of time.

The other receivables are generated by operating irregularities in the activities of:

- issuing through banks, when amounts can be debited to blocked cards for which the bank is relieved from the related credit risk five days after the block has been communicated;
- acquiring, such as:
- recharges to merchants after complaints by cardholders or banks for any reason through the charge-back cycle;
- non-payment of commissions by the merchants.

These types of risks generated by operating irregularities are operational risks.

Activities provided as part of the Issuing and Acquiring of payment cards services to banks with Visa and MasterCard licences do not generate credit risks, nor do the Issuing and Acquiring activities for national debit cards (Bancomat and Pagobancomat) or services to manage the ATM or POS network.

Settlement with the banks takes place through the parent by offsetting value dates.

The direct issue of credit cards only takes place after suitable investigations of the customers and CartaSi's fraud and credit management unit continuously monitors credit risk over the period of the credit card's validity. This unit is part of the payment card department (first level controls).

2. Credit risk management policies

Credit risk is monitored constantly, checking that the exposures are within the set budget limits at the beginning of each year. CartaSi also carefully rates each new merchant or cardholder in the case of directly issued cards before agreeing new contracts.

The risk management unit monitors credit risk trends and their effect on the risk policy and set range. It prepares monthly and quarterly reports on compliance with the specific limits approved by the board of directors and implements suitable escalation measures when these limits are exceeded. These measures are described in the "CartaSi S.p.A. risk quantification limits" document, prepared annually with the first level units and the risk management unit.

The document sets out the reference values and ranges for each first and second level indicator assigned to monitor CartaSi's risks, calculated on the basis of analysis of historical series, projections about the company's future performance and that of the market and indications present in the Group's risk policy. These values, calculated to contain risk, are approved by the parent's risk committee and CartaSi's board of directors.

The company has specific maximum gross and net insolvency limits and limits to the related cost to check and measure risk. It monitors these limits constantly as well as expected losses compared to actual losses and losses incurred for business reasons.

This credit risk control consists of preliminary checks by the first level units, starting with the analysis of the credit application. It includes:

- internal controls;
- consistency controls;
- positive and negative information from the credit bureau;
- credit scoring algorithms.

Another process relevant for credit risk is the monitoring and recovery of receivables from cardholders and merchants, in order to contain the impact of risk events. The following controls are performed:

daily monitoring of negative events (unpaid direct debits) using a flag to limit the card's spending limit and possible revoke of the banking counterparties;

- daily checks of the use of cash advances in excess of the maximum contractual limits.
- Specific processes exist to recover the different types of receivable:
- out-of-court collection, including phone collection and/or home visits;
- legal proceedings for certain amounts and/or specific reasons.

The credit risk analysis model for directly issued cards uses the historical trends of recorded losses and estimated losses (non-performing positions adjusted by the recovery percentage) normalised by the total exposure for the current month. Its result is VaR. The analysis considers the historical trends starting from May 2010. The operating management methods for prior year receivables are not consistent with the currently used one and, therefore, they cannot be used as a comparison.

The results of the historical trends analysis are then used to calculate the annual expected and unexpected loss. The expected and unexpected losses, calculated using an annual confidence interval of 99%, are subjected to second level controls described in the Quantitative risk limits document.

With respect to its servicing activities, CartaSi does not have credit risks related to receivables due directly from retail customers as it provides issuing servicing and acquiring servicing activities. Therefore, the related credit risk falls on the banks that have the issuing and/or acquiring licences.

In the case of servicing, credit risk refers to the customer banks, that are subject to supervision, and the risk disappears within 30 days (the time period between issue of one account statement and the next) with an average exposure of 15 days. This exposure is borne by ICBPI.

Like in previous years, no significant critical situations were identified with respect to this risk and the defined limits.

Impairment losses are made collectively. Assets are tested for impairment by category and the loss percentages are estimated considering historical figures that allow an estimate of possible losses.

3. Country risk

Country risk is the risk of losses caused by events that take place in countries other than Italy. This concept is wider than that for sovereign risk as it covers all exposures regardless of the type of counterparty involved, be they natural persons, businesses, banks or public administrations.

The company includes country risk as part of credit risk and it is not a significant risk given that CartaSi's exposures are solely with international circuits (Mastercard and Visa, both of which have their registered office in the US) as part of the process to settle card transactions. It is thus reasonable to assume that they are very independent of the countries where their head office is in economic terms.

QUANTITATIVE DISCLOSURE

1. Breakdown of credit exposures by portfolio and credit quality

	Non-performing exposures	Probable default	Impaired past due exposures	Unpaired past due exposures	Other unimpaired exposures	Total
1. Available-for-sale financial assets					3,762,517	3,762,517
2. Held-to-maturity investments						
3. Loans and receivables with banks					18,396,793	18,396,793
4 Loans and receivables with customers		1,649,577			2,234,029,979	2,235,679,556
5. Financial assets at *fair value* through profit or loss						
6. Financial assets held for sale					186,205,855	186,205,855
Total 31/12/2015 €	**0**	**1,649,577**	**0**	**0**	**2,442,395,144**	**2,444,044,721**
Total 31/12/2014 €	**0**	**0**	**0**	**0**	**0**	**2,469,403,634**

2. Credit exposures

2.1 Loans and receivables with customers: gross amounts, carrying amounts and past due brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION:								
a) Non-performing exposures	4,235,192					4,235,192		0
- including: negotiated exposures								
b) Probable defaults	7,076,519					5,426,941		1,649,578
- including: negotiated exposures								
c) Impaired past due exposures								
- including: negotiated exposures								
d) Unimpaired past due exposures								
- including: negotiated exposures								
e) Other unimpaired exposures	2,235,927,267					1,897,289		2,234,029,978
- including: negotiated exposures								
Total A	**2,247,238,978**	**0**	**0**	**0**	**0**	**11,559,422**	**0**	**2,235,679,556**
B. OFF-STATEMENT OF FINANCIAL POSITION:								
a) Impaired								
b) Unimpaired								
Total B	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total (A+B) €	**2,247,238,978**	**0**	**0**	**0**	**0**	**11,559,422**	**0**	**2,235,679,556**

Changes in impairment losses by risk category are presented below, showing that the reduction in total impairment losses is due to the smaller percentage of non-performing loans compared to the total portfolio applying the same impairment percentage.

	Opening impairment losses	Decreases	Increases	Closing impairment losses
- Non-performing exposures	6,787,299	4,362,950	1,810,843	4,235,192
- Probable defaults	6,134,085	2,069,919	1,362,776	5,426,941
- Other unimpaired exposures	2,174,794	277,505	0	1,897,289
Total	**15,096,178**	**6,710,375**	**3,173,619**	**11,559,422**

2.2 Loans and receivables with banks: gross amounts, carrying amounts and past due brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION:								
a) Non-performing exposures								
- including: negotiated exposures								
b) Probable defaults								
- including: negotiated exposures								
c) Impaired past due exposures								
- including: negotiated exposures								
d) Unimpaired past due exposures								
- including: negotiated exposures								
e) Other unimpaired exposures					133,296,065			133,296,065
- including: negotiated exposures								
Total A	**0**	**0**	**0**	**0**	**133,296,065**	**0**	**0**	**133,296,065**
B. OFF-STATEMENT OF FINANCIAL POSITION:								
a) Impaired								
b) Unimpaired								
Total B	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total (A+B) €	**0**	**0**	**0**	**0**	**133,296,065**	**0**	**0**	**133,296,065**

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE DISCLOSURE

1. General issues

Given the nature of CartaSi's business, the exposures are mostly due within one year with minimum exposure to risk, except for those exposures related to revolving cards, which have an average residual maturity of 10 months. The mismatching between the issuing and acquiring businesses solely refers to the settlement date and not the value date, which is the same for both amounts credited and debited.

It follows that the company's exposure to this type of risk is substantially immaterial.

QUANTITATIVE DISCLOSURE

1. Breakdown by residual maturity (by repricing date) of financial assets and liabilities

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
1.2 Loans and receivables	2,097,037,742	102,692,488	53,169,069	78,314,514	36,419,480	1,342,328		
1.3 Other assets								3,762,517
2. Liabilities								
2.1. Liabilities	1,877,644,458	28,332,621						
2.2 Debt instruments								
2.3 Other liabilities								
3. Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

3.2.2 PRICE RISK

QUALITATIVE DISCLOSURE

1. General issues

Price risk is the risk of variations in the prices of financial instruments caused by fluctuations in the market variables or specific factors of the issuers or counterparties.

The company is not exposed to this risk.

3.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

1. General issues

Currency risk arises on the mismatch between foreign currency assets and liabilities (cash and forward) for each currency, originating from positions taken on by the centres specialised in market risk, within the assigned limits and proxies.

CartaSi is not significantly exposed to currency risk, as the payments and collections for transactions to be settled or collected on the Mastercard and Visa circuits are in Euro.

The transfer risk is defined as the risk that a bank, exposed to a party that finances itself in a currency different to that in which it earns most of its income, makes losses due to the debtor's difficulties in converting its currency into the currency of its exposure.

The company could be potentially exposed to this risk if it had credit exposures in foreign currencies and Euro credit exposures of parties based in countries with a legal tender that is not the Euro.
This is not the case for CartaSi as its cardholders and merchants have their tax residence in Italy and presumably their liquidity in Euro.

CartaSi does not have innovative or complex financial products or derivatives.

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
1. Financial assets						
1.1 Debt instruments						
1.2 Equity instruments						
1.3 Loans and receivables	57,827	168,899	18,300	46,964	52,787	165,472
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities						
3.1. Liabilities						
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**57,827**	**168,899**	**18,300**	**46,964**	**52,787**	**165,472**
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**
Difference (+/-)	**57,827**	**168,899**	**18,300**	**46,964**	**52,787**	**165,472**

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors, including judicial risk. This risk also comprises legal risk, model risk and the risk related to financial transactions including those related to market risk.

Operational risks include a wide range of risks that can adversely affect the services offered by the company, such as internal or external fraud, employment relationships and occupational safety, business practices, damage to property, business discontinuity, system breakdowns and errors in carrying out and managing procedures.

The company manages this risk using tailored insurance policies and specific monitoring tools for e-money operational risks.

Like all the ICBPI Group companies, CartaSi has adopted an operational risk framework, which includes an operational risk policy and the RCSA and loss data collection methods as specified by Bank of Italy with respect to prudent supervisory requirements.

The main operational risk to which the company is exposed is the fraudulent use of payment cards for transactions not accepted by the cardholder (who may not necessarily be a CartaSi cardholder) due to the compromising of their card and its data (theft, loss, forgery, identity fraud, failure to receive, etc.) involving the company as either the issuer or acquirer.

The company's first and second levels and its risk committee monitor the risk of issuing and acquiring fraud closely using the indicators set out in the "Fraud and credit risk quantitative limits" document.

No critical situations were identified compared to the defined limits and the indicators' performance was more than satisfactory.

QUANTITATIVE DISCLOSURE

The following table shows losses caused by operational risks related to use of the company's cards (fraud risk):

	31/12/2015	31/12/2014
Losses for fraudulent use of credit cards	8,728,920	8,158,470
Total income	276,365,310	263,806,299
%	**3.16%**	**3.09%**

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk). This risk includes the risk of meeting its commitments at non-market costs, i.e., incurring high costs to obtain funding or (and sometimes simultaneously) incurring losses when disinvesting assets.

This risk is borne by the parent, ICBPI, that manages, as a bank, its liquidity and the liquidity requirements of various group companies. With specific regard to CartaSi's requirements, the parent provides it with suitable credit facilities for the funds necessary to cover the time mismatch between payment to the merchants and collection from the cardholders and settlement with the circuits, also for the issuing and acquiring servicing activities. At present, CartaSi has some credit facilities from customer banks, which are used when it requires significant funds (e.g., to cover transactions performed in December).

The treasury and finance unit manages liquidity to ensure financial balance between deadlines and between assets and liabilities in order to avoid overusing current and potential sources of funds.

SECTION 4 - EQUITY

4.1 Equity

4.1.1 Qualitative disclosure

CartaSi's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main tool against unexpected losses arising from the various risks. Therefore, equity availability is an indispensable tool supporting the company's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the company's use of capital and its compliance with capital requirements. These figures are reported with different frequencies to senior management and the board of directors, which are the bodies responsible for deciding, in line with their delegated powers, the methods that the company should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, CartaSi forecasts the related effects on equity and their suitability.

Lastly, the company's dividend distribution policies are also aimed at ensuring a suitable capitalisation level, in line with its development objectives.

4.1.2 Quantitative dislosure

4.1.2.1 Equity: breakdown

	31/12/2015	31/12/2014
1. Share capital	56,888,798	56,888,798
2. Share premium	2,273,684	2,273,684
3. Reserves		
- income-related		
a) legal	11,377,760	11,377,760
b) statutory	206,408,021	191,963,499
c) treasury shares		
d) other - merger goodwill	158,000,571	158,129,480
- other	4,098,967	4,098,967
4. (Treasury shares)		
5. Valuation reserves		
- Available-for-sale financial assets	3,099,319	2,036,909
- Property and equipment	74,950	74,950
- Intangible assets		
- Hedges of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains (losses)		
- Non-current assets held for sale and disposal groups	172,511,661	
- Special revaluation laws	1,013,875	1,013,875
- Net actuarial losses on defined benefit pension plans	(767,921)	(955,110)
- Share of valuation reserves of equity-accounted investees		
6. Equity instruments		
7. Profit for the year	71,288,932	57,111,121
Total	**686,268,617**	**484,013,933**

4.1.2.2 Fair value reserves (AFS financial assets): breakdown

	31/12/2015		31/12/2014	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments				
2. Equity instruments	3,099,319		2,036,909	
3. OEIC units				
4. Financing				
Total	**3,099,319**	**0**	**2,036,909**	**0**

4.1.2.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	0	2,036,909	0	0
2. Increases				
2.1 Fair value gains		1,062,410		
2.2 Reclassification of fair value losses to profit or loss				
- due to impairment				
- on sale				
2.3 Other increases				
3. Decreases				
3.1 Fair value losses		0		
3.2 impairment losses				
3.3 Reclassification of fair value gains to profit or loss: on sale				
3.2 Other decreases				
4. Closing balance	**0**	**3,099,319**	**0**	**0**

4.2 Own funds and ratios

4.2.1 Own funds

In accordance with the supervisory instructions, the components and amount of the regulatory capital differ from equity. The main reasons for these differences are summarised below:

- unlike equity, the regulatory capital does not include the portion of profit to be distributed as dividends;
- other intangible assets are deducted;
- 50% of the net fair value gains on available-for-sale equity instruments recognised in caption 170 "Valuation reserves" may be included in Tier 2 capital.

4.2.1.1 Qualitative disclosure

1. Tier 1 capital

Tier 1 capital comprises:

Positive elements: equity, less the valuation reserve and the portion of profit to be distributed as dividends.

Negative elements: other intangible assets

2. Tier 2 capital

The elements making up the Tier 2 capital are the fair value reserves that may be included under the prudential filter regulation and the additional 50% of elements to be deducted.

3. Tier 3 capital

The company does not hold financial instruments that may be included in Tier 3 capital.

4.2.1.2 Quantitative disclosure

	31/12/2015	31/12/2014
A. Tier 1 capital before application of prudential filters	**428,488,096**	**428,597,099**
B. Tier 1 prudential filters:		
B.1 Positive IFRS prudential filters (+)		
B.2 Positive IFRS prudential filters (+)		
C. Tier 1 capital including application of prudential filters (A+B)	**428,488,096**	**428,597,099**
D. Elements to be deducted from Tier 1 capital	69,095,699	
E. Total Tier 1 capital (C-D)	**359,392,397**	**428,597,099**
F. Tier 2 capital before application of prudential filters	**176,699,804**	**3,125,734**
G. Tier 2 prudential filters	(87,805,490)	(1,018,455)
G.1 Positive IFRS prudential filters (+)		
G.2 Positive IFRS prudential filters (-)	87,805,490	1,018,455
H. Tier 2 capital including application of prudential filters (F+G)	**88,894,315**	**2,107,280**
I. Elements to be deducted from Tier 2 capital	69,095,699	
L. Total Tier 2 capital (H-I)	**19,798,616**	**2,107,280**
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Regulatory capital (E+L-M)	**379,191,013**	**430,704,379**

The calculation of regulatory capital includes the estimated distribution of dividends of €71,110,998.

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosure

The company must ensure that its funds and related capital ratios are consistent with its risk profile and with Bank of Italy's supervisory requirements for payment institutes.

Its competent offices regularly check capital absorption and compliance with the related capital requirements.

They check developments in the company's financial position. The policies for allocation of the profit for the year are designed to ensure adequate capitalisation in line with its the company's development objectives.

4.2.2.2 Quantitative disclosure

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	2,423,263,656	2,544,536,603	459,382,427	492,525,698
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			27,562,946	29,551,542
B.2 Credit valuation adjustment risk				
B.3 Regulation risk				
B.4 Market risk				
1 - Standard method				
2 - Internal models				
3 - Concentration risk			15,823,742	14,841,514
B.5 Operational risk				
1 - Basic method				
2 - Standardised method				
3 - Advanced method				
B.6 Other prudential requirements				
B.7 Other calculation elements				
B.8 Total prudential requirements			43,386,688	44,393,056
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			723,111,466	739,884,267
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET 1 capital ratio)				
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			49.70%	57.93%
Total own funds / Risk-weighted assets (Total capital ratio)			52.44%	58.21%

Following its inclusion in the register of payment institutes (and its concurrent cancellation from the general and special lists of financial intermediaries as per article 107 of the Consolidated Banking Act), the company complies with the reference prudent regulations (Bank of Italy measure of 20 June 2012 “Supervisory instructions for payment institutes” - chapter V).

Payment institutes are required to comply with the following capital requirements:

- for payment services rendered: two alternative calculation methods can be used to calculate the capital requirement that the payment institute shall satisfy for risks related to the payment services rendered. The payment institute usually uses method B (see the following paragraph for more information);

- for credit risk: payment institutes that grant financing calculate a capital requirement equal to 6% of the financing granted; this excludes financing related to the payment transactions for credit cards with monthly payments;
- total (regulatory capital) equal to at least the sum of the capital requirement for payment services rendered and the capital requirement for credit risk.

CAPITAL REQUIRMENT FOR PAYMENT SERVICES RENDERED

CartaSi usually uses method B to calculate its capital requirement for risks related to payment services rendered (Bank of Italy measure of 20 June 2012, Chapter V, Section II, paragraph 1.3).

Method B

The capital requirement shall be at least equal to the sum of the payment volumes (PV) as per letters a) to e) below, where PV is equal to one twelfth of the total amount of the payment transactions performed by the payment institute in the previous year, multiplied by the k graduation factor indicated below:

a) 4% of the PV up to €5 million;

b) 2.5% of the PV between €5 and €10 million;

c) 1% of the PV between €10 and €100 million;

d) 0.5% of the PV between €100 and €250 million;

e) 0.25% of the PV above €250 million.

The k graduation factor is equal to:

a) 0.5 when the institute only renders the payment services as per article 1.1.b).6 of Decree no. 11 of 27 January 2010;

b) 0.8 when the institute renders the payment services as per article 1.1.b).7 of Decree no. 11 of 27 January 2010;

c) 1.0 when the institute renders one or more of the payment services as per points 1 to 5 of article 1.1.b) of Decree no. 11 of 27 January 2010.

Given the payment services rendered by the company, the applicable k graduation factor for CartaSi is equal to:

- 1.0 (as the company provides one or more of the payment services as per points 1 to 5 of the Annex to Directive 2007/64/EC on payment services in the internal market).

Section 5 - Comprehensive income

		Gross amount	Income tax	Net amount
10.	**Profit for the year**	**103,610,099**	**(32,321,167)**	**71,288,932**
	Items that will not be reclassified subsequently to profit or loss			
20.	**Property and equipment**			
30.	**Intangible assets**			
40.	**Defined benefit plans**	327,356	90,023	237,333
50.	**Non-current assets held for sale**			
60.	**Share of valuation reserves of equity-accounted investees**			
	Items that will be reclassified subsequently to profit or loss			
70.	**Hedges of investments in foreign operations:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
80.	**Exchange rate gains (losses):**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
90.	**Cash flow hedges:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
100.	**Available-for-sale financial assets:**			
	a) fair value gains (losses)	1,141,701	79,291	1,062,410
	b) reclassification to profit or loss			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
110.	**Non-current assets held for sale:**			
	a) fair value gains (losses)	186,205,845	13,694,185	172,511,660
	b) reclassification to profit or loss			
	c) other changes			
120.	**Share of valuation reserves of equity-accounted investees:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
130.	**Total other comprehensive income**	187,674,902	13,863,499	173,811,403
140.	**Comprehensive income (captions 10 + 130)**	**291,285,001**	**(18,457,668)**	**245,100,335**

Section 6 - RELATED PARTY TRANSACTIONS

6.1 Fees of key management personnel

Fees due to the statutory auditors and to the directors and managers for the year amount to €170,366 and €2,416,322, respectively.

6.2 Loans and guarantees given to/on behalf of directors and statutory auditors

Non sono presenti crediti e garanzie a favore degli Amministratori e Sindaci.

6.3 Related party transactions

The aim of IAS 24 (Related party transactions) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its financial position and performance may be altered by related party transactions and balances.

Based on this standard, applied to its organisational and governance structure, the company identified the following related parties:

- the parent, ICBPI:
- the companies controlled directly or indirectly by ICBPI as defined by IAS 27 (i.e., subsidiaries);
- the companies over which ICBPI has direct or indirect significant influence as defined by IAS 28 (i.e., associates);
- the companies over which ICBPI has direct or indirect joint control, as defined by IAS 31 (i.e., jointly controlled entities);
- entities that exercise significant influence over ICBPI and their subsidiaries;
- key management personnel and members of supervisory bodies, as well as their close family members and entities over which they exercise control or significant influence;
- pension funds for the group employees and their related parties.

Transactions with the group companies are summarised below:

2015

	Total financial statements caption	Parent	Other group companies	Other related parties	Directors, managers and members of supervisory bodies
60. Loans and receivables	2,368,975,621	582,505	0	0	0
100. Property and equipment	81,673,157	0	0	0	0
110. Intangible assets	0	0	0	746,236	0
140. Other assets	228,100,902	1,631,178	749,698	0	0
10. Liabilities	1,905,977,079	1,267,346,904	0	0	0
90. Other liabilities	268,785,036	24,309,253	7,598,572	6,281,930	34,904
10. Interest and similar income	25,315,151	1,996	0	0	0
20. Interest and similar expense	-35,569,143	-15,867,361	0	0	0
30. Fee and commission income	926,095,033	0	0	0	0
40. Fee and commission expense	-639,529,447	-4,517,588	0	0	0
110. Administrative expenses:	-350,365,800	-21,564,665	-38,185,338	-53,909,025	-2,586,688
160. Other net operating income	203,451,442	735,025	270,069	0	0

Centralised transactions with ICBPI group companies are usually governed by specific agreements that, while aiming at optimising synergies and economies of scale and purpose, make reference to objective parameters that are constant over time, characterised by transparency and substantial fairness. Transfer pricing is defined and formalised based on parameters that account for the actual use of the service by each end user.

Other transactions with group companies and other related parties are part of the company's normal business operations and usually take place at market conditions.

Parent financial statements

The following table summarises the parent's most recently approved financial statements.

	ASSETS		31/12/2014		31/12/2013
10.	Cash and cash equivalents		517,909		186,085,294
20.	Financial assets held for trading		19,581,755		10,660,225
40.	Available-for-sale financial assets		2,532,644,886		2,516,014,979
50.	Held-to-maturity investments		46,013,150		91,861,290
60.	Loans and receivables with banks		585,641,535		986,840,889
70.	Loans and receivables with customers		2,845,241,505		2,280,855,247
100.	Equity investments		490,836,188		498,913,447
110.	Property and equipment		79,776,224		81,918,802
120.	Intangible assets		91,954,438		74,928,445
	goodwill	14,941,150		14,941,150	
130.	Tax assets		32,414,610		48,898,723
	a) current	1,556,403		18,854,949	
	b) deferred	30,858,207		30,043,774	
	including convertible into tax assets (Law no. 214/2011)	26,111,469		25,428,995	
150.	Other assets		218,785,841		279,003,077
	Total assets		6,943,408,041		7,055,980,418

	LIABILITIES	31/12/2014		31/12/2013	
10.	Due to banks		1,988,762,013		1,415,774,764
20.	Due to customers		3,080,692,274		4,068,136,493
30.	Securities issued		0		10,025,108
40.	Financial liabilities held for trading		6,163,383		7,137,829
80.	Tax liabilities		33,434,737		32,792,108
	a) current	0		0	
	b) deferred	33,434,737		32,792,108	
100.	Other liabilities		1,025,660,934		773,879,777
110.	Post-employment benefits		12,823,569		11,185,020
120.	Provisions for risks and charges		23,827,445		25,303,513
	a) pension and similar obligations	966,973		1,038,233	
	b) other provisions	22,860,472		24,265,280	
130.	Valuation reserves		76,240,419		76,823,931
160.	Reserves		427,131,581		375,969,233
170.	Share premium		148,242,172		148,242,172
180.	Share capital		42,557,370		42,557,370
190.	Treasury shares (-)		(32,196)		(32,196)
200.	Profit for the year (+/-)		77,904,340		68,185,296
	Total liabilities and equity		6,943,408,041		7,055,980,418

	INCOME STATEMENT	31/12/2014		31/12/2013	
10,	Interest and similar income		84,548,271		92,796,751
20,	Interest and similar expense		(6,023,544)		(6,479,145)
30,	Net interest income		78,524,727		86,317,606
40,	Fee and commission income		118,668,670		119,097,126
50,	Fee and commission expense		(32,125,959)		(39,388,716)
60,	Net fee and commission income		86,542,711		79,708,410
70,	Dividends and similar income		39,584,985		50,888,081
80,	Net trading income		5,441,839		3,827,639
100,	Net profit on sale or repurchase of:		3,539,588		3,738,638
	b) available-for-sale financial assets	3,539,588		3,104,472	
	c) held-to-maturity investments	0		634,166	
120,	Total income		213,633,850		224,480,374
130,	Net impairment losses on:		(1,939,892)		(3,083,221)
	a) loans and receivables	0		0	
	b) available-for-sale financial assets	(1,939,892)		(2,895,095)	
	d) other financial transactions	(188,126)		(188,126)	
140,	Net financial income		211,693,958		221,397,153
150,	Administrative expenses:		(174,598,063)		(166,394,511)
	a) personnel expense	(74,054,642)		(68,011,331)	
	b) other administrative expenses	(100,543,421)		(98,383,180)	
160,	Net accruals to provisions for risks and charges		(397,524)		239,828
170,	Depreciation and net impairment losses on property, equipment and investment property		(2,290,617)		(2,287,919)
180,	Amortisation and net impairment losses on intangible assets		(10,779,244)		(9,418,266)
190,	Other operating income, net		74,989,355		69,997,061
200,	Operating costs		(113,076,093)		(107,863,807)
210,	Share of profits (losses) of investees		1,585,096		(12,700,000)
240,	Net gains (losses) on sales of investments		0		(523)
250,	Pre-tax profit from continuing operations		100,202,961		100,832,823
260,	Income taxes		(22,298,621)		(32,647,527)
270,	Post-tax profit from continuing operations		77,904,340		68,185,296
290,	Profit for the year		77,904,340		68,185,296

Report of the Board of Statutory Auditors

CARTASI S.P.A.

* * *

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, paragraph 2 of the Italian Civil Code)

* * *

It is preliminarily stated that on December 18, 2015 the majority of shares (88.95%) of the Parent Company of the ICBPI Group, Istituto Centrale delle Banche Popolari Italiane S.p.A., was acquired by Mercury Italy S.r.l., a corporate vehicle indirectly owned by the following funds: Advent International, Bain Capital, and Clessidra Sgr. On the same date, further to the resignation submitted by the members of the Board of Directors and of the Board of Statutory Auditors, the Shareholders' Meeting of CartaSi S.p.A. appointed the new corporate bodies. The Board of Statutory Auditors, as currently composed, performed its supervisory duties for the remaining months of the year 2015, within the terms provided for by the rules and regulations in force. The information provided and the opinions expressed herein, relating to the period preceding the appointment, were mainly acquired by making reference to the minutes recorded by the previous auditing body.

The Board of Statutory Auditors performed its activity in coordination with KPMG S.p.A., which was entrusted with the audit of accounts.

* * *

Particularly significant transactions – Corporate governance

As regards extraordinary transactions, in the year under review Unicard S.p.A., whose full control was acquired in 2014, merged into CartaSi. After the Board of Directors' approval, given at the meeting held on May 21, 2015, the transaction was finalised on July 31, 2015, effective as of January 1, 2015 for accounting purposes.

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The transaction is illustrated in the Board of Directors' Report, to which reference should be made.

On December 30, 2015 and on January 18, 2016 the Parent Company purchased the stakes held by eleven CartaSi's shareholders (Argentario, Banca del Piemonte, Banca Popolare del Lazio, Cassa di Risparmio di Fermo, Cassa di Risparmio di Savigliano, Cassa di Risparmio di Saluzzo, Banco di Desio e della Brianza, Banca di Piacenza, Carige, Cedacri, Cassa di Risparmio di Fossano), thus increasing its investment to 97.49% of share capital.

The closing of the transaction involving the transfer of ownership of the ICBPI Group to Mercury Italy S.r.l. occurred on December 18, 2015. The latter acquired 88.95% of the Parent Company's share capital, while the residual portion is still held by some of the existing shareholders.

Simultaneously with the execution of the transfer of ownership of the ICBPI Group to Mercury Italy, the Extraordinary Shareholders' Meeting of CartaSi resolved to approve the amendments to Articles 16, 19, 25 and 28 of the company's By-laws as regards raising to 2 the number of Deputy Chairmen of the Board of Directors. On the same date, the Ordinary Shareholders' Meeting appointed the new members of the Board of Directors and of the Board of Statutory Auditors, and the Board of Directors resolved to appoint the Chairman, Mr. Franco Bernabè, the Deputy Chairmen, Messrs. Roberto Romanin Jacur and Antonio Patuelli, and the CEO, Mr. Giuseppe Capponcelli, whose term of office is due to end with the approval of the financial statements for the year ended December 31, 2015.

On November 4, 2015, further to the resignation of Ms. Laura Cioli, the Board of Directors appointed as pro tem CEO Mr. Giuseppe Capponcelli, who was already at the head of the Parent Company.

On April 9, 2015 the Shareholders' Meeting appointed the new members of the Board of Directors and of the Board of Statutory Auditors and the Board of Directors, with the consent of the Board of Statutory Auditors, decided to assign to the latter also the functions of Supervisory Body provided for by Legislative Decree no. 231, thus acting in line with the laws on supervision (15th update of the Bank of

Italy's circular no. 263/2006 "New regulations for the prudential supervision of banks") with a view to avoid redundancy of corporate bodies involved, especially in case of non-complex transactions.

Inspections by the Bank of Italy

The Bank of Italy carried out investigations on the ICBPI Group pursuant to Articles 54 and 68 of the Italian Consolidated Banking Act (*Testo Unico Bancario* or *TUB*), starting from February 19, 2015. Aimed at monitoring governance, management, and control of the Group's operating risks, the investigation ended at the end of May. Its results are shown in the Board of Directors' Report, to which reference should be made.

Intra-group transactions, transactions with related parties and associated entities

The relevant procedure, as illustrated below, was applied to the transactions with related parties indicated, under IAS 24, in the Directors' Report and in the Notes to the Financial Statements, to which reference should be made.

In order to limit the risk that the proximity of certain entities (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, the ICBPI Group adopted the Regulations on Transactions with Related Parties in compliance with the provisions set forth in the Bank of Italy's circular no. 263 of 2006 ("New regulations on the prudential supervision of banks").

In the year 2015 the Board of Statutory Auditors regularly met the "parties in charge of transactions", as identified in Service Order no. 06/2015 issued in compliance with the Regulations on the Transactions with Related Parties adopted with a Board of Directors' resolution, in order to investigate more thoroughly the transactions with related parties, thus verifying that ordinary transactions with related parties were carried out at the same standard conditions applied to transactions with third parties. Moreover, on March 19, 2015 the Board of Statutory Auditors examined a major transaction with a related party, and concluded that it was formally and substantially correct, as well as profitable and useful for the Company and the ICBPI Group. Therefore, the Board issued a favourable opinion on its execution.

Transactions with the other Group companies, aimed at optimising synergies and economies of scale, are regulated by specific agreements duly submitted to the Board of Directors' approval on April 9, 2015.

* * *

Activity performed by the Board of Statutory Auditors during the year

- The Board of Statutory Auditors supervised the compliance with the law, the regulations and the company's By-laws.

- The Board of Statutory Auditors promptly and regularly obtained from the Directors information on the activity performed and on the most significant income, financial and equity transactions carried out by the Company. It is reasonably possible to ensure that the measures resolved upon and taken comply with the law and the By-laws and are not manifestly imprudent or risky or in conflict of interests or inconsistent with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company assets.

- By virtue of its powers, the Board of Statutory Auditors monitored the scope of the issues overlapping with those of member banks pursuant to the regulations introduced with Article 36 of Law Decree no. 201 of December 6, 2011 (banning the so-called "interlocking directorates") and delegated to the CEO, reporting on that also to the Board of Directors. At the end of said monitoring activities, no changes to the scope of the issues examined were identified and, therefore, the scope of the resolutions reserved to the CEO was confirmed.

- By virtue of its powers, the Board of Statutory Auditors monitored the adequacy of the organisational structure which, moreover, has been constantly improved, the compliance with correct management practices as well as the adequacy and

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compliance of the contractual standards agreed for the services provided by other Group companies. This took place through the collection of information from the heads of organisational functions and through meetings with the Auditing Firm, for the purposes of mutually exchanging relevant data and information. There are no particular findings in this respect.

- The audit, risk management, and compliance functions, centrally managed by the Parent Company, operate for the whole Group; the adequacy of the entire system of internal controls was verified with frequent meetings with the heads of the relevant functions, by examining the reports regularly submitted to the Board of Statutory Auditors and the Board of Directors (quarterly analyses, reports on the progress of planned activities and annual business plans, etc.).

  In particular:

  - at the meeting held on February 3, 2015 the Board of Directors approved an updated version of the Operational Risk Policy (ORM) – Policy for the management of Operating Risks of the ICBPI Group;
  - at the meeting held on February 26, 2015 the Board of Statutory Auditors examined the following document: "CartaSi S.p.A.'s risk quantitative limits and guidelines for 2015" for the thorough investigation of the operational aspects relevant for the purposes of risk control; on the same date, the Board of Directors of the Company approved such document;
  - at the same meeting, the Board approved the "IT Risk Analysis and Assessment Model" for the qualitative assessment of the level of risk to which the ICBPI Group is subject;
  - at the meeting held on March 19, 2015 the Board approved the updated version of the Policy for the management of the non-compliance risk already submitted to the Board of Statutory Auditors. The update redefines the scope of the directly and indirectly managed regulatory areas of the Compliance Service;
  - at the meetings of the Board held on June 24, September 22, and December 9, 2015 CartaSi's second-level metrics of the Risk Appetite

Framework resolved by the Board of Directors of the Parent Company were presented.

- The Board of Statutory Auditors monitored the effectiveness of the Company's anti-money laundering measures with periodical meetings with the heads of the Anti-Money Laundering Function.

  The Board of Statutory Auditors supervised the implementation, by the Company, of the corrective actions and measures identified and suggested by the Audit Service.

- The Supervisory Body, introduced in compliance with Legislative Decree no. 231 of June 8, 2001, and whose functions were assigned to the Board of Statutory Auditors, continued its activities without finding any anomalies or irregularities, as evidenced by the periodic Reports submitted to the corporate bodies.

- The adequacy of the management and accounting system and its reliability to correctly reflect the operations was ascertained. This was done by gathering information from the heads of the relevant departments, as well as through the examination of company documents and the analysis of the results of the work performed by the Auditing Firm, and by monitoring the activities of those in charge of internal control.

- The Board of Statutory Auditors regularly met with the Auditing Firm's representatives, and exchanged information relating to the audit of the company's accounts. No fundamental issues emerged which worth mentioning in this report.

- In addition to being entrusted with the audit of annual and half-year accounts, the Auditing Firm KPMG S.p.A. was assigned other tasks. For such services invoices were received in the year 2015 for the amounts set out below:

KPMG	SERVICE DESCRIPTION	AMOUNTS BILLED IN 2015 (INCLUDING EXPENSES)
Nolan, Norton Italia S.r.l.	Data Centre Support	72,000

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Studio Associato - Consulenza legale e tributaria	Supervisory Body	9,534
KPMG Advisory S.p.A.	Usury Project	164,994
Total amount		**246,528**

- The Director's Report for the year 2015 complies with the applicable rules and regulations; it is consistent with the resolutions of the management body and with the results of the financial statements; as already said, it contains adequate information on the activities performed during the year, on intra-group transactions and on the transactions with Related Parties. Part G, Section 3 of the Notes to the financial statements details the main risks and hedging policies, as recommended by the joint documents of the Bank Italy, Consob, and Isvap no. 2 of February 6, 2009 and no. 4 of March 3, 2010.

- The financial statements for the year were drafted according to the formats and schemes provided for by the currently applicable provisions. In particular, the financial statements for the year ended December 31, 2015 were drafted in compliance with the instructions issued by the Bank of Italy and on the basis of the international accounting standards (IAS and IFRS) in force as at December 31, 2015. KPMG S.p.A. issued its report "without any changes" or disclosure obligations.

- According to Article 17 of Legislative Decree no. 39/2010, the Auditing Firm declared that there were no elements that could compromise its independence.

- During the year, the Board of Statutory Auditors expressed the opinions provided for by the law, regulations on supervision and the By-laws. The following opinions are mentioned, among others:

  - opinion dated March 19, 2015 on the approval of the Plan for the Merger of Unicard S.p.A. into CartaSi S.p.A., drafted pursuant to Article 2501-ter of the Italian Civil Code;

  - opinion dated April 9, 2015, drafted pursuant to Article 2389, paragraph 3, on the determination of the amount of the emoluments payable to the Chairman of the Board of Directors, Mr. Roberto Romanin Jacur, to the

Deputy Chairman of the Board of Directors, Mr. Antonio Patuelli, and to the CEO, Ms. Laura Cioli;

- opinion dated July 28, 2015 on the appointment (by co-optation) of Mr. Luca Vanetti as director, in replacement of Mr. Jacopo De Francisco, who resigned;

- opinion dated November 4, 2015 pursuant to Article 2389, paragraph 3 on the determination of the amount of the emoluments payable to the pro tem CEO, Mr. Giuseppe Capponcelli;

- opinion dated December 18, 2015, pursuant to Article 2389, paragraph 3 on the determination of the amount of the emoluments payable to the Chairman of the Board of Directors, Mr. Franco Bernabè, to the Deputy Chairmen of the Board of Directors, Messrs. Roberto Romanin Jacur and Antonio Patuelli, and to the CEO, Mr. Giuseppe Capponcelli.

- The Board of Statutory Auditors did not receive either any complaints or claims under Article 2408 of the Italian Civil Code.

- The supervisory activity of the Board of Statutory Auditors was reported in the minutes of the 9 meetings held in 2015. The Board of Statutory Auditors also attended the 11 meetings of the Board of Directors: it is acknowledged that the supporting documentation on the agenda items was always exhaustive and sent well in advance.

- During the supervisory activity carried out and on the basis of the information gathered from the Auditing Firm, no such omissions, censurable facts, irregularities or otherwise material facts emerged as to require the reporting to the auditing bodies or to be mentioned in this report.

* * *

Supervision pursuant to Article 19 of Legislative Decree no. 39/2010

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Article 19 of Legislative Decree no. 39/2010 has identified the supervisory functions pertaining to the Board of Statutory Auditors. These can be grouped into four areas: financial disclosure; internal control, internal audit, and risk management systems; the audit of accounts; and the independence of the auditor.

Although the report above already partly provides the indications mentioned in the aforementioned Article 19, it is specifically stated that the supervisory activity relating to the financial disclosure process, the internal control and risk management systems, the audit of accounts and to the independence of the external auditor did not reveal any further information to be reported.

* * *

Proposal to the Shareholders' Meeting

- **Financial Statements for the year ended December 31, 2015**

Based on the results of the work carried out by the body in charge of the audit of accounts, contained in the report issued on today's date, the Board of Statutory Auditors expresses an opinion in favour of the approval of the Financial Statements for the year ended December 31, 2015 which show a profit of EUR 71,288,932 (2014: EUR 57,111,121); and authorizes the allocation proposal submitted by the Board of Directors.

Milan, April 5, 2016

Mr. Alessandro Grange, Chairman

Mr. Lorenzo Banfi

Mr. Paolo Lazzati

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Report of the Auditing Company

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
CartaSi S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of CartaSi S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judg-

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ment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the company's directors, with the financial statements at 31 December 2015. In our opinion, the directors' report is consistent with the financial statements of CartaSi S.p.A. as at and for the year ended 31 December 2015.

Milan, 5 April 2016
KPMG S.p.A.

Giulio Capiaghi
Director of Audit

Shareholders' Meeting resolutions

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

of 21 April 2016

Below is a summary of the resolutions passed by the Ordinary Shareholders' Meeting, held on 21 April 2016 on first call.

1. FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015; MANAGEMENT REPORT OF THE BOARD OF DIRECTORS; REPORTS OF THE BOARD OF STATUTORY AUDITORS AND THE EXTERNAL AUDITING COMPANY; RELATIVE RESOLUTIONS.

The Shareholders' Meeting approved the financial statement as of 31 December 2015, as presented by the Board of Directors and the relative assignment of the profit of the financial year.

2. APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE 2016, 2017 AND 2018 FINANCIAL YEARS, WITH PRIOR DETERMINATION OF THE NUMBER OF DIRECTORS TO BE APPOINTED. DETERMINATION OF THE RELATIVE REMUNERATION.

The Shareholders' Meeting resolved to fix the number of Board members at 11, and to appoint as Directors for the financial years 2016, 2017 and 2018 Messrs:

- BASSI Luca
- BENI Gabriele
- BERNABE' Franco
- BRUNO Riccardo
- CAPPONCELLI Giuseppe
- CASIRAGHI Francesco
- CERFOGLI Pierpio
- CUCCHETTI Simone
- MUSSI Maurizio
- PATUELLI Antonio
- ROMANIN JACUR Roberto

Company Boards
at 21 April 2016

Company Boards
at 21 April 2016

BOARD OF DIRECTORS

Chairman:	Franco BERNABÈ
Deputy Chairman:	Antonio PATUELLI
Deputy Chairman:	Roberto ROMANIN JACUR
Managing Director:	Giuseppe CAPPONCELLI
Directors:	Luca BASSI Gabriele BENI Riccardo BRUNO Francesco CASIRAGHI Pierpio CERFOGLI Simone CUCCHETTI Maurizio MUSSI

BOARD OF STATUTORY AUDITORS

Chairman:	Alessandro GRANGE
Standing auditors:	Lorenzo BANFI Paolo Francesco Maria LAZZATI
Alternate auditors:	Alberto BALESTRERI Marco Giuseppe ZANOBIO

GENERAL MANAGEMENT

Deputy General Manager:	Antonio D'ALOIA
Deputy General Manager:	Marco RE
Deputy General Manager:	Evaristo RICCI

Shareholders' list
at 21 April 2016

Shareholders' list

at 21 April 2016

Banca Mediolanum S.p.A.	Basiglio
Istituto Centrale delle Banche Popolari Italiane S.p.A.	Milano
Banca Popolare di Sondrio S.C.p.A.	Sondrio
Banca di Credito Popolare S.C.p.A.	Torre del Greco