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# **BOLLETTINO**

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## **The IOR publishes its annual report: transparency, care for clients and compliance with international norms**

Vatican City, 12 May 2016 – The Institute for the Works of Religion (IOR) today published its 2015 Annual Report. "Building on the Holy Father's reaffirmation of the importance of the IOR's mission, the Institute has continued to serve with prudence and provide specialised financial services to the Catholic Church worldwide and the Vatican City State", states a press release from the Institute. IOR has thus continued in 2015 to assist the Holy Father in His mission as universal Pastor. While visiting the IOR on November 24, 2015 the Holy Father insisted on the need to adhere to 'Ethical principles that are non-negotiable for the Church, the Holy See and the Pope'. His Holiness went on to state that 'IOR needs to base its operations on principles that are compatible with standards of morality, consistent efficiency and practices that respect the specificity of IOR's nature and the example it is required to set through its activities', so as to 'combine, harmoniously, operational effectiveness and the essential pastoral nature of all actions'.

In the section relating to the key changes to the IOR's operating framework, the note recalls that over the last few years Vatican City State has taken major steps in requiring all financial institutions to comply with a new legal and regulatory framework (Law XVIII). In 2015, the supervisory body AIF issued a prudential regulation, Regolamento N. 1 and the Institute has diligently worked towards adherence to the new rules issued.

Between June 2013 and December of 2015, 4935 accounts were closed, effectively terminating the thorough remediation process of past accounts. Procedures in place are diligently applied to all new customer and related activities.

With regard to anti money laundering (AML) measures and the need to "Know Your Customer" (KYC), the same year international tax agreements were signed by the Holy See, leading to enhanced transparency. Key steps were also taken in 2015 to strengthen IOR governance. It includes the creation of an Audit and Risk committee as well as an HR and Remuneration committee to help the Board. In accordance to the Statutes governing the Institute, a new director general was appointed, Gian Franco Mammi supported by Giulio Mattiotti as adjunct to the director general, as well as 2 new members of the Board of Auditors (Collegio dei Revisori), Giovanni Barbara and Luca Del Pico.

In the note it is emphasised that "the customer comes first", and to demonstrate this emphasises that in 2015 the IOR worked to strengthen its values, rebuild trust and bring stability to its client base. Management undertook a full review of its customer service function and various steps were taken to respond to customers' requests. The IOR's investment process for its asset management products was strengthened. Information and communication to customers was increased and improved: more than 1500 customers attended one of our seminars held on a quarterly basis at the IOR premises. A process of significantly enhancing the IOR portfolio management system started and is due to finish in 2016. Overall investment performance at the end of the year reflected the difficult environment that characterised 2015 and reflected the low risk approach of IOR's customers.

In terms of financial results, the IOR's operating result is 42.8 million euros. It positively reflects the investment strategy initiated in late 2014 to de-risk and rationalise IOR's proprietary portfolio in a low rate environment. It has been achieved despite financial market volatility heightened by economic and geopolitical uncertainty. This environment persisted during most of the year but was particularly intense in the second half of the year and ultimately affected the net trading results, having led to a decrease in the net interest income.

2015 saw a positive reduction year-on-year in operating expenses (through a reduction of third party consultants costs), and in impairment losses. IOR's 2015 net result includes a provision for tax remediation and the settlement of an investment legacy issue.

For 2015, the IOR will pay a dividend of 16.1 million euros, representing its net profit. Its equity remains untouched as per its Statutes. As of 31 December 2015, the IOR's equity net of distribution is 654 million euros. This includes the new Capital of 300 million euros that was defined as per Regolamento N.1 and approved by the Cardinals' Commission.

The total value of assets entrusted by customers to the IOR decreased marginally to 5.8 bn euros in 2015 (6 bn euros in 2014). These assets consisted of 1.9 bn euros (2.1bn euros in 2014) in customer deposits, 3.2 bn euros (unchanged from 2014) held in managed portfolios and 0.7 bn euros (unchanged from 2014) held for customers under custody agreements. On 31 December 2015, the IOR served 14,801 customers.

The Financial Statements 2015 were audited by Deloitte & Touche S.p.A.

The note adds that the Istituto per le Opere di Religione is an institute of the Holy See, founded on 27 June 1942 by Chirograph of His Holiness Pius XII as a charitable foundation under canonical law. Its origins date back to the "Commissione ad Pias Causas" established by Pope Leo XIII in 1887.

IOR's purpose, set out in its Statutes, annexed to the Chirograph dated 1 March 1990 of His Holiness John Paul II, is "to provide for the custody and administration of goods transferred or entrusted to the Institute by legal or natural persons, designated for religious works or charity. The Institute can accept deposits of assets from entities or persons of the Holy See and of the Vatican City State". This means that IOR's key activities are to provide payment services as well as wealth management solutions (interest bearing accounts and asset management products) for its customers.

IOR is located in the sovereign territory of the Vatican City State. It is subject to regulations and legislation applicable in Vatican City State under the supervision of the "Autorità di Informazione Finanziaria" (AIF), the financial regulatory body for the Vatican City State and the Holy See.

IOR's 14801 customers are made up of the Holy See and related entities, religious orders, other Catholic institutions, clergy, employees of the Holy See, and the accredited diplomatic corps. Today, approximately 75 % of the number of IOR customers are based in Italy and the Vatican, 15 % in Europe ex Italy and the Vatican and 10 % global ex Europe.